

Company Registration No. 01444885 (England and Wales)

ENTEC ENERGY CONSULTANTS LIMITED

DIRECTOR'S REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1997



ENTEC ENERGY CONSULTANTS LIMITED

COMPANY INFORMATION

Director G L Hills-Jones (Appointed 12 November 1997)

Secretary J M Ganz

Company number 01444885

Registered office NLA Tower, 15th Floor, 12-16 Addiscombe Road
Croydon
Surrey
CR9 2DR

Auditors Pumphrey Kennedy
15 The Green
Richmond
Surrey
TW9 1PX

Business address NLA Tower, 15th Floor, 12-16 Addiscombe Road
Croydon
Surrey
CR9 2DR

ENTEC ENERGY CONSULTANTS LIMITED

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ENTEC ENERGY CONSULTANTS LIMITED

DIRECTOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 1997

The director presents his report and financial statements for the year ended 31 December 1997.

Principal activities and review of the business

The principal activity of the company continued to be that of the provision of high technology intergrated consultancy services to oil companies, worldwide, for optimising the development of oil and gas reservoirs.

The progress of the company during the year accorded with expectations and the position at the year end is regarded as satisfactory. Continued future growth is anticipated in the future.

The company has implemented a programme to identify all problem areas and resolve the year 2000 issue. It is expected that this programme will be completed before the current financial year end. The cost of addressing this problem is not expected to be material.

Results and dividends

The results for the year are set out on page 4.

The director does not recommend payment of an ordinary dividend.

Directors

The following directors have held office since 1 January 1997:

A Di Battista	(Resigned 11 November 1997)
G L Hills-Jones	(Appointed 12 November 1997)

Directors' interests

The directors' beneficial interests in the shares of the company were as stated below:

	ordinary shares of £1 each	
	31 December 1997	1 January 1997
G L Hills-Jones	-	-

Auditors

Pumphrey Kennedy were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

ENTEC ENERGY CONSULTANTS LIMITED

DIRECTOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 1997

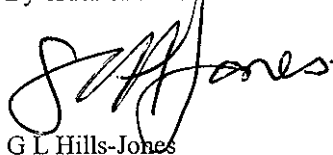
Director's responsibilities

Company law requires the director to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. He is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board



G L Hills-Jones

Director

26 October 1998

ENTEC ENERGY CONSULTANTS LIMITED

**AUDITORS' REPORT
TO THE SHAREHOLDERS OF ENTEC ENERGY CONSULTANTS LIMITED**

We have audited the financial statements on pages 4 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of the director and auditors

As described on page 2 the company's director is responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

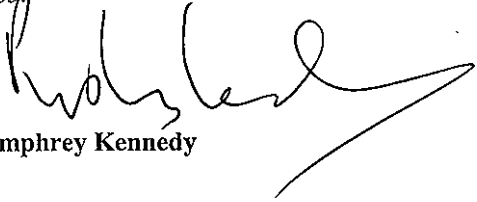
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Pumphrey Kennedy

Chartered Accountants
Registered Auditor

27 October 1998
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15 The Green
Richmond
Surrey
TW9 1PX

ENTEC ENERGY CONSULTANTS LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1997**

		Year ended 31 December 1997 £	Year ended 31 December 1996 £
	Notes		
Turnover	2	1,301,797	1,091,831
Cost of sales		(568,169)	(369,167)
Gross profit		733,628	722,664
Administrative expenses		(393,287)	(257,702)
Operating profit	3	340,341	464,962
Other interest receivable and similar income	4	59,062	48,955
Interest payable and similar charges	5	(923)	(1,681)
Profit on ordinary activities before taxation		398,480	512,236
Tax on profit on ordinary activities	6	(135,000)	(161,202)
Profit on ordinary activities after taxation	13	263,480	351,034

The profit and loss account has been prepared on the basis that all operations are continuing operations.

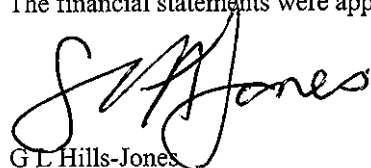
There are no recognised gains and losses other than those passing through the profit and loss account.

ENTEC ENERGY CONSULTANTS LIMITED

BALANCE SHEET
AS AT 31 DECEMBER 1997

	Notes	1997 £	£	1996 £	£
Fixed assets					
Tangible assets	7		139,875		78,167
Current assets					
Debtors	8	960,590		362,815	
Cash at bank and in hand		739,401		1,186,349	
		<u>1,699,991</u>		<u>1,549,164</u>	
Creditors: amounts falling due within one year	9	<u>(222,920)</u>		<u>(273,865)</u>	
Net current assets			<u>1,477,071</u>		<u>1,275,299</u>
Total assets less current liabilities			<u><u>1,616,946</u></u>		<u><u>1,353,466</u></u>
Capital and reserves					
Called up share capital	12		100,000		100,000
Profit and loss account	13		1,516,946		1,253,466
Shareholders' funds - equity interests	14		<u><u>1,616,946</u></u>		<u><u>1,353,466</u></u>

The financial statements were approved by the Board on 26 October 1998



G L Hills-Jones

Director

ENTEC ENERGY CONSULTANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1997

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

The company is a wholly owned subsidiary undertaking of Baker Hughes Inc. and the cash flows of the company are included in the consolidated group cash flow statement of Baker Hughes Inc. Consequently the company is exempt under the terms of Financial Reporting Standard 1 (revised) from publishing a cash flow statement.

1.2 Compliance with accounting standards

The accounts have been prepared in accordance with applicable accounting standards.

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Computer equipment	33% straight line
Fixtures and fittings	20% straight line
Furniture and office equipment	15% straight line

1.5 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.6 Pensions

The regular cost of providing retirement pensions and related benefits is charged to the profit and loss account over the employees' service lives on the basis of a constant percentage of earnings. Any difference between the charge to the profit and loss account and the contributions paid to the scheme is shown as an asset or liability in the balance sheet.

1.7 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the director, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

1.8 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

2 Turnover

In the opinion of the director it would be seriously prejudicial to the interests of the company to disclose turnover by geographical analysis.

ENTEC ENERGY CONSULTANTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997**

3	Operating profit	1997	1996
		£	£
	Operating profit is stated after charging:		
	Depreciation of tangible assets	57,278	30,974
	Operating lease rentals	89,790	56,936
	Auditors' remuneration	4,500	6,000
		<u> </u>	<u> </u>
4	Other interest receivable and similar income	1997	1996
		£	£
	Bank interest	28,847	48,955
	Other interest	30,215	-
		<u> </u>	<u> </u>
		59,062	48,955
		<u> </u>	<u> </u>
5	Interest payable and similar charges	1997	1996
		£	£
	Bank charges and other interest	923	1,681
		<u> </u>	<u> </u>
6	Taxation	1997	1996
		£	£
	U.K. current year taxation		
	U.K. corporation tax at 31% (1996 - 33%)	135,000	161,202
		<u> </u>	<u> </u>

ENTEC ENERGY CONSULTANTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997**

7 Tangible fixed assets

	Computer equipment	Fixtures and fittings	Furniture and office equipment	Total
	£	£	£	£
Cost				
At 1 January 1997	256,734	4,694	46,862	308,290
Additions	69,997	51,540	-	121,537
Disposals	(161,780)	(4,694)	-	(166,474)
At 31 December 1997	164,951	51,540	46,862	263,353
Depreciation				
At 1 January 1997	181,271	1,990	46,862	230,123
On disposals	(161,783)	(2,143)	-	(163,926)
Charge for the year	48,538	8,743	-	57,281
At 31 December 1997	68,026	8,590	46,862	123,478
Net book value				
At 31 December 1997	96,925	42,950	-	139,875
At 31 December 1996	75,463	2,704	-	78,167

8 Debtors

	1997	1996
	£	£
Trade debtors	928,595	230,577
Amounts owed by parent and fellow subsidiary undertakings	11,426	32,000
Other debtors	175	-
Prepayments and accrued income	20,394	100,238
	960,590	362,815

ENTEC ENERGY CONSULTANTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997**

9 Creditors: amounts falling due within one year	1997	1996
	£	£
Trade creditors	11,371	29,393
Amounts owed to parent and fellow subsidiary undertakings	23,889	32,379
Corporation tax	135,071	160,385
Other taxes and social security costs	37,697	38,276
Other creditors	-	3,992
Accruals and deferred income	14,892	9,440
	<u>222,920</u>	<u>273,865</u>

10 Provisions for liabilities and charges

Deferred tax is provided at 31% (1996 - 33%) analysed over the following timing differences:

	Not provided		Provided	
	1997	1996	1997	1996
	£	£	£	£
Other timing differences	-	111	-	-
	<u>-</u>	<u>111</u>	<u>-</u>	<u>-</u>

There is no amount of deferred taxation unprovided.

11 Pension costs

The company contributes towards a group defined benefit pension scheme providing benefits based on final pensionable salary and years of service. The scheme is funded by a separate trustee administered fund representing assets held separately from those of the company and being invested with insurance companies. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 6 April 1997. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 9% per annum, that salary increases would average 7% per annum and that the increase in the lower earnings limit will be 3% per annum.

The pension charge for the year was £36,740 (1996 - £11,130).

The most recent actuarial valuation showed that the market value of the scheme's assets was £25.626 million and that the actuarial value of those assets represented 87.8% of the benefits that had accrued to members. The contributions of the employees will remain at 3.5% of pensionable salary whilst employer contributions will be suspended until the next valuation due on 6 April 2000.

ENTEC ENERGY CONSULTANTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997**

12 Share capital	1997	1996
	£	£
Authorised		
100,000 ordinary shares of £1 each	100,000	100,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
100,000 ordinary shares of £1 each	100,000	100,000
	<u> </u>	<u> </u>

13 Statement of movements on profit and loss account

	Profit and loss account
	£
Balance at 1 January 1997	1,253,466
Retained profit for the period	263,480
	<u> </u>
Balance at 31 December 1997	1,516,946
	<u> </u>

14 Reconciliation of movements in shareholders' funds	1997	1996
	£	£
Profit for the financial year	263,480	351,034
Opening shareholders' funds	1,353,466	1,002,432
	<u> </u>	<u> </u>
Closing shareholders' funds	1,616,946	1,353,466
	<u> </u>	<u> </u>

15 Financial commitments

At 31 December 1997 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	1997	1996
	£	£
Expiry date:		
Within one year	-	12,931
Between two and five years	52,203	-
	<u> </u>	<u> </u>
	52,203	12,931
	<u> </u>	<u> </u>

ENTEC ENERGY CONSULTANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1997

16 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

1997 Number	1996 Number
17	12

Employment costs

	£	£
Wages and salaries	475,734	326,902
Social security costs	39,755	29,460
Other pension costs	36,740	11,131
	552,229	367,493

17 Control

The ultimate parent company is Baker Hughes Inc., a company incorporated in the United States.

Baker Hughes Inc. prepares group financial statements and copies can be obtained from 3900 Essex Lane, Suite 1200, PO Box 4740, Houston, Texas 77210-4740.

18 Related party transactions

The company has taken advantage of the exemptions conferred by Financial Reporting Standard No 8 from the requirement to make disclosures concerning the transactions between the company and its ultimate parent undertaking.

This exemption has been claimed because the company's ultimate parent undertaking has prepared consolidated accounts for the year ended 31 December 1997.