

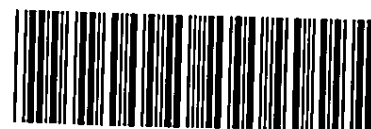
Insensys Oil and Gas Limited

Registered Number 05961426

Directors' Report and Financial Statements

For the year ended 31 December 2008

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Insensys Oil and Gas Limited

Directors' Report for the year ended 31 December 2008

The directors submit their annual report together with the audited financial statements of Insensys Oil and Gas Limited (the "Company") for the year ended 31 December 2008.

Prior year comparatives reflect the period from 10 October 2006 to 31 December 2007.

Principal activities

The Company's principal activity is subsea surveillance for the purpose of providing data in order to increase productivity in oil and gas operations.

Directors

The following were directors of the Company during the period and up to the date of signing this report:

A Goldby	P Droy (appointed 1 May 2009)
N Ray (resigned 1 May 2009)	R H Martin (appointed 9 October 2008)
D McCann (resigned 12 May 2009)	
S Smoker (appointed 9 October 2008)	

Review of business and results

The Company generated revenue of £3,086,000 during the year (2007 period: £2,086,000). The Company recorded a loss before taxation of £529,000 (2007 period: £1,346,000 loss) for the year ended 31 December 2008, which has been deducted from reserves, the directors do not recommend the payment of a dividend.

Key performance indicators ("KPIs")

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Schlumberger plc group and are not managed separately. Accordingly, the principal risks and uncertainties of the Schlumberger plc group, which include those of the Company, are discussed in the Directors' report disclosed on page 2 in the financial statements of Schlumberger plc which does not form part of this report.

Future outlook

The Company is in a position to take advantage of any favourable opportunities which may arise in the future.

Payment to suppliers

The Company agrees terms and conditions for its business transactions with suppliers. Payment is made on these terms providing the supplier meets its obligations. The Company had 32 days (2007: 11 days) purchases outstanding as at 31 December 2008 based on the average daily amount invoiced by the suppliers during the year.

Insensys Oil and Gas Limited

Directors' Report for the year ended 31 December 2008 (continued)

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are 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.

Disclosure of information to auditors

Each of the persons, who is a director at the date of approval of this report, confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

On behalf of the board



S Smoker

Director

21 October 2009

Independent Auditors' Report to the Members of Insensys Oil and Gas Limited

We have audited the financial statements of Insensys Oil and Gas Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

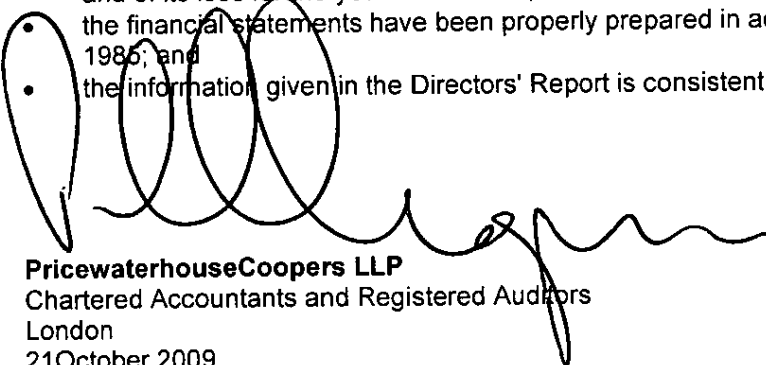
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
21 October 2009

Insensys Oil and Gas Limited

Profit and Loss Account for the year ended 31 December 2008

	<i>Note</i>	2008 £'000	Period ended 31 December 2007 £'000
Turnover	2	3,086	2,086
Cost of sales		(2,833)	(1,195)
Gross profit		253	891
Administrative expenses		(1,860)	(1,965)
Selling, marketing and distribution costs		(293)	(268)
Operating loss		(1,900)	(1,342)
Interest receivable and similar income	6	-	1
Interest payable and similar charges	7	(117)	(5)
Other income	8	1,488	-
Loss on ordinary activities before taxation	3	(529)	(1,346)
Tax credit on loss on ordinary activities	9	(120)	(227)
Loss for the financial year	17/18	(409)	(1,119)

All turnover and operating loss reported above are derived from continuing operations.

The notes on pages 6 to 14 form part of these financial statements.

Insensys Oil and Gas Limited

Balance Sheet as at 31 December 2008

	<i>Note</i>	2008 £'000	2007 £'000
Fixed assets			
Intangible assets	10	-	-
Tangible fixed assets	11	978	50
		978	50
Current assets			
Stocks	12	9	102
Debtors	13	2,617	748
Cash at bank and in hand		546	570
		3,172	1,420
Creditors: amounts falling due within one year	14	(4,754)	(1,665)
Net current liabilities		(1,582)	(245)
Total assets less total liabilities		(604)	(195)
Capital and reserves			
Called up share capital	15	17	17
Capital reserve	17	907	907
Profit and loss account	17	(1,528)	(1,119)
Total shareholder's deficit	18	(604)	(195)

The notes on pages 6 to 14 form part of these financial statements.

These financial statements were approved by the board of directors on 21 October 2009, and were signed on its behalf by:



S Smoker
Director

Insensys Oil and Gas Limited

Notes to the Financial Statements for the year ended 31 December 2008

1 Accounting policies

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the period, are set out below.

Prior year comparatives reflect the period from 10 October 2006 to 31 December 2007.

Taxation including deferred taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

All leases which do not entail taking all the risks and rewards of ownership of an asset are accounted for as 'operating leases' and the rentals are charged to the profit and loss account on a straight line basis over the life of the lease. The Company does not have any leases which take substantially all the risks and rewards of ownership of an asset.

Turnover

Turnover represents the amounts, excluding value added tax, discounts, and derived from the provision of subsea surveillance services to customers, including, where appropriate, installation during the period. Income is recognised based on percentage of completion.

Intangible fixed assets

Intangible assets including licences and patent fees are amortised over their useful economic lives.

Patents

Patents are stated at historical cost less accumulated amortisation. Patents are amortised on a straight line basis over their expected useful economic life.

Insensys Oil and Gas Limited

Notes to the Financial Statements for the year ended 31 December 2008 (continued)

1 Accounting policies (continued)

Fixed assets and depreciation

Tangible fixed assets are stated at their purchase cost together with any directly attributable costs of acquisition less estimated residual value, net of depreciation and provisions, where required, for any impairment. Depreciation is provided on a straight line basis, other than freehold land, over the expected useful economic lives of each category of tangible fixed assets at the following rates:

Leasehold buildings	50 Years or the life of the lease if shorter
Plant and machinery	3-5 Years
Motor vehicles	3 Years
Computer and office equipment	2-10 Years

Impairment review

The carrying values of tangible fixed assets are reviewed by management for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. Any impairment in the value of fixed assets and goodwill below depreciated historical cost is charged to the profit and loss account.

Stocks

Stocks are stated at lower of cost and net realisable value. Stocks represent work in progress as at the year end. Work in progress is calculated as the costs incurred on a project or contract to date for which no billing has been made. The Company expenses all minor raw materials, consumables and goods purchased for resale.

Payments received and receivable on account of work in progress are deducted from the cost of the work carried out at the balance sheet date to the extent of the valuation of the work done.

Provision is made for work in progress not expected to be recoverable.

Related party disclosures

The Company has taken advantage of the exemption under paragraph 3(c) from the provisions of FRS8, 'Related Party Disclosures', on the grounds that it is a wholly owned subsidiary of a group headed by Schlumberger plc, whose financial statements are publicly available.

Cash flow statement

The Company is a wholly owned subsidiary company of a group headed by Schlumberger plc, and is included in the consolidated financial statements of that company, which are publicly available. Consequently, the company has taken advantage of the exemption within FRS 1 'Cash flow statements (revised 1996)' from preparing a cash flow statement.

Pension contributions

For defined contribution pension scheme, the charge against profits is the amount of defined contributions payable to the pension scheme in respect of the accounting period.

The Schlumberger plc group scheme, which provides benefits on a defined benefit basis as well as a defined contribution basis, is run on a basis that does not enable individual companies within the group to identify their share of the underlying net assets and liabilities. As permitted by FRS 17, the Company therefore accounts for the entire scheme as a defined contribution scheme. The assets of the scheme are held in a separately administered fund.

Insensys Oil and Gas Limited

Notes to the Financial Statements for the year ended 31 December 2008 (continued)

2 Turnover

The turnover for the period was entirely attributable to the Company's single principal activity and originates in the UK. Sales were made into the following geographic markets:

By geographical market	2008 £'000	Period ended 31 December 2007 £'000
UK	36	166
Rest of Europe	769	49
Americas	2,205	1,871
Asia	76	-
	3,086	2,086

3 Operating loss on ordinary activities

Operating loss is stated after charging/ (crediting) the following items:

	2008 £'000	Period ended 31 December 2007 £'000
Auditors' remuneration:		
Audit	20	13
Depreciation – owned assets (Note 10)	125	19
Amortisation of intangible fixed assets (Note 9)	-	55
Loss on sale of tangible fixed asset	44	-
(Gain)/loss on foreign currency exchange	(174)	3

4 Directors' emoluments

None of the directors in office during the period were remunerated for their services as directors, their work on behalf of the Company being considered incidental to their other duties to the Schlumberger plc group as a whole (2007:none).

5 Staff numbers and costs

The average monthly number of persons employed by the Company (including directors) during the period, analysed by category, was as follows:

	Number 2008	Number 2007
Administration	10	10
Sales and marketing	20	20
	30	30

Insensys Oil and Gas Limited

Notes to the Financial Statements for the year ended 31 December 2008 (continued)

5 Staff numbers and costs (continued)

	2008 £'000	Period ended 31 December 2007 £'000
Wages and salaries	1,719	1,086
Social security costs	190	110
Other pension costs	245	83
	<u>2,154</u>	<u>1,279</u>

6 Interest receivable and similar income

	2008 £'000	Period ended 31 December 2007 £'000
Bank interest	-	1

7 Interest payable and similar charges

	2008 £'000	Period ended 31 December 2007 £'000
Interest payable to Schlumberger plc group companies (note 13)	(117)	(5)

8 Other income

	2008 £'000	Period ended 31 December 2007 £'000
Gain on sale of Intellectual Property	1,488	-

Insensys Oil and Gas Limited

Notes to the Financial Statements for the year ended 31 December 2008 (continued)

9 Tax on loss on ordinary activities

The taxation credit based on the loss for the period as adjusted for taxation purposes may be analysed as follows:

	2008 £'000	Period ended 31 December 2007 £'000
United Kingdom		
Corporation tax on profits from the current period	(160)	(221)
Prior period adjustment	37	-
Total current tax	(123)	(221)
Deferred tax		
Current period	2	(6)
Prior year adjustment	1	-
Total deferred tax	3	(6)
Tax credit on loss on ordinary activities	(120)	(227)

The current period tax assessed for the period is lower than the standard rate of corporation tax in the UK of 28.5%. The differences are explained below:

	2008 £'000	Period ended 31 December 2007 £'000
Loss on ordinary activities before tax	(529)	(1,346)
Tax credit on loss before tax	(151)	(404)
Intangible asset amortisation not subject to corporation tax	-	17
Short term timing differences	(9)	6
Amounts not subject to group relief	-	160
Prior year adjustment	37	-
Current tax credit for the period	(123)	(221)

10 Intangible assets

	Patents £'000
Cost	
At 1 January 2008	55
Additions	0
As at 31 December 2008	55
Amortisation	
At 1 January 2008	(55)
Charge for the year	0
As at 31 December 2008	(55)
Net book value	
At 31 December 2007	-
At 31 December 2008	-

Insensys Oil and Gas Limited

Notes to the Financial Statements for the year ended 31 December 2008 (continued)

11 Tangible fixed assets

	Short Leasehold	Plant and machinery	Motor Vehicles	Computer and office equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2008	14	18	10	27	69
Additions	-	1,115	-	-	1,115
Disposals	(14)	(19)	(2)	(27)	(62)
As at 31 December 2008	-	1,114	8	-	1,122
Accumulated depreciation					
At 1 January 2008	(7)	(3)	(3)	(6)	(19)
Charge for the period	-	(140)	(3)	-	(143)
Disposals	7	4	1	6	18
As at 31 December 2008	-	(139)	(5)	-	(144)
Net book value					
At 31 December 2007	7	15	7	21	50
At 31 December 2008	-	975	3	-	978

12 Stocks

	2008 £'000	2007 £'000
Work in progress	9	102

13 Debtors

	2008 £'000	2007 £'000
Amounts falling due within one year:		
Trade debtors	1,066	249
Amounts owed by other Schlumberger plc group companies	-	221
Amounts owed by other Schlumberger companies	850	18
Corporation tax	344	-
Other debtors	288	256
Prepayments and accrued income	69	4
	2,617	748

Non-trading balances and loans between Schlumberger plc group companies are unsecured and repayable on demand accrue interest at LIBOR plus 50 basis points. Trading transactions between these parties are settled within normal market terms.

Insensys Oil and Gas Limited

Notes to the Financial Statements for the year ended 31 December 2008 (continued)

14 Creditors: amounts falling due within one period

	2008 £'000	2007 £'000
Trade creditors	78	32
Amounts owed to Schlumberger plc group companies	4,437	1,096
Amounts owed to other Schlumberger companies	168	4
Accruals and deferred income	71	533
	4,754	1,665

Non-trading balances and loans between Schlumberger plc group companies are unsecured and repayable on demand accrue interest at LIBOR plus 50 basis points. Trading transactions between these parties are settled within normal market terms.

15 Called up share capital

	2008 £'000	2007 £'000
Authorised		
1,011,006 ordinary shares of £0.01 each	10	10
418,788 A preferred shares of £0.01 each	4	4
390,663 A2 preferred shares of £0.01 each	4	4
	18	18
Allotted, called up and fully paid		
936,219 ordinary shares of £0.01 each	9	9
418,788 A preferred shares of £0.01 each	4	4
390,663 A2 preferred shares of £0.01 each	4	4
Total allotted, called up and fully paid	17	17

The Company issued the share capital above on incorporation at par value for cash. The ordinary, A preference and A2 preference shares all have the same voting rights and are as such all classified as equal equity shares.

On return of assets on liquidation or capital reduction, the Company, after payment of its liabilities, will apply any remaining assets first in paying the holders of the A preferred shares and second in paying off the holders of the A2 preferred shares. Any remaining assets shall then be distributed equally amongst the holders of the ordinary shares, the A preferred shares and the A2 preferred shares.

The A and A2 preferred shares are convertible into ordinary shares at the option of the holders. These preferred shares do not carry a fixed or cumulative coupon. All dividends are paid at the discretion of the directors.

Insensys Oil and Gas Limited

Notes to the Financial Statements for the year ended 31 December 2008 (continued)

16 Pension scheme

Prior to the acquisition of the Company by Schlumberger Oilfield UK plc, the Company operated a defined contribution pension scheme comprising individual personal schemes for eligible employees.

The Company also participates in a Group pension scheme which provides retirement benefits on a defined contribution (DC) basis. Particulars of the Group pension scheme are contained in the financial statements of Schlumberger plc. There were no prepaid or accrued pension contributions at the year end.

The total pension charge for the Company for the period was £244,504.

17 Reserves

	Capital reserve £'000	Profit and loss account £'000
At 1 January 2008	907	(1,119)
Loss for the financial period	-	(409)
At 31 December 2008	907	(1,528)

18 Reconciliation of the movement on shareholder's funds

	Profit and loss account 2008 £'000	Profit and loss account 2007 £'000
Shareholder's deficit at beginning of the period	(195)	-
Loss for the financial period	(409)	(1,119)
Issued share capital	-	17
Contribution of net assets in to Company from parent	-	907
Shareholder's deficit at the end of the period	(604)	(195)

Insensys Oil and Gas Limited

Notes to the Financial Statements for the year ended 31 December 2008 (continued)

19 Ultimate parent undertaking

Schlumberger Oilfield Holdings Limited, a company incorporated in the British Virgin Islands, is the immediate parent.

Schlumberger Limited, a company incorporated in the Netherlands Antilles, is the parent undertaking of the smallest and the largest group of undertakings of which Schlumberger plc is a member and for which Group accounts are drawn up. The directors consider Schlumberger Limited to be the ultimate controlling party.

Copies of the financial statements of Schlumberger plc can be obtained from, Victory House, Churchill Court, Manor Royal, Crawley, West Sussex, RH10 9LU.