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Directors' Report and Accounts

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DIRECTORS' REPORT

AND ACCOUNTS

SCHLUMBERGER ELECTRONICS (UK) LIMITED

31 DECEMBER 1983

Price Waterhouse



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DIRECTORS' REPORT

AND ACCOUNTS

SCHLUMBERGER ELECTRONICS (UK) LIMITED

31 DECEMBER 1983

COMPANIES REGISTRATION OFFICE
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-6 AUG 1984

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 1983.

The Directors have pleasure in submitting their report together with the accounts of the company for the year ended 31 December 1983.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year has been the manufacture and sale of electronic equipment including electricity meters, time switches, electrical measuring and indicating instruments, thermocouples for aero-engines and electronic simulation equipment.

All of the company's activities continued to expand during the year with consequent increases in turnover and profitability.

At the year end the company was in a strong position to take advantage of suitable expansion opportunities that may arise.

RESULTS AND DIVIDENDS

The company's profit for the financial year was £8,162,000 (1982-£4,551,000) after a tax charge of £5,961,000 (1982-£2,965,000). An interim dividend of £3,000,000 was paid during the year (1982-£nil). The directors do not recommend the payment of a final dividend (1982-£nil). The remaining profit of £5,162,000 (1982-£4,551,000) will be added to reserves.

FUTURE DEVELOPMENTS

The directors expect the company to maintain the success shown in the past financial year by continuing its policy of growth in both domestic and international markets.

DIRECTORS

The following were directors of the company during the year:

GB Thomas
PA Tempest

Neither director had an interest in the shares of the company or any other group company such as requires notification to the company under section 27 of the Companies Act 1967.

POLICY FOR EMPLOYMENT OF DISABLED PERSONS

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who is fortunate enough not to suffer from a disability.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 1983 (continued)

EMPLOYEE PARTICIPATION

The directors recognise the need for good communications and relations with the employees. The company is organised on a decentralised basis such that the management of individual divisions are responsible for the development of employee participation practices tailored to their particular needs.

Regular discussions are held between management and employees' representatives at all levels to help achieve common awareness of and maintain the factors responsible for the good relations that exist between employers and employees. Every quarter an abbreviated financial report on the results of the company's ultimate holding company is published and made available to employees.

RESEARCH AND DEVELOPMENT

The company maintains extensive laboratories and other facilities and devotes considerable resources to research aimed at developing new products and processes.

TANGIBLE FIXED ASSETS

The directors are of the opinion that any difference between the book value and the market value of the tangible fixed assets is not significant. The increase in tangible fixed assets arises wholly from the continued expansion of the company.

SUBSIDIARIES

On 22 December 1983 the company acquired for cash the ordinary and deferred share capital of FC Compteurs Limited, a company incorporated in the United Kingdom whose principal activity is the marketing and partial manufacture of gas measuring and regulating equipment.

AUDITORS

In accordance with Section 14 of the Companies Act 1976, a resolution proposing the reappointment of Price Waterhouse as auditors to the Company will be put to the forthcoming Annual General Meeting.

By Order of the Board

PA Tempest
Secretary

22 June 1984

Price Waterhouse

THAMES COURT
1 VICTORIA STREET
WINDSOR
BERKSHIRE SL4 1HB

AUDITORS' REPORT TO THE MEMBERS OF SCHLUMBERGER ELECTRONICS (UK) LIMITED

We have audited the accounts set out on pages 4 to 19 in accordance with approved Auditing Standards.

In our opinion these accounts, which have been prepared under the historical cost convention, as modified by the revaluation of freehold land, give under that convention a true and fair view of the state of the company's affairs at 31 December 1983 and of its profit and source and application of funds for the year then ended and comply with the Companies Acts 1948 to 1981.

Price Waterhouse

Chartered Accountants

22 June 1984

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1983

	Note	1983 £'000	1982 £'000
TURNOVER	2	75,863	58,346
Cost of sales		(45,877)	(38,904)
Gross profit		29,986	19,442
Other operating expenses	4	(15,948)	(12,017)
Interest receivable		85	117
Interest payable	5	-	(26)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	14,123	7,516
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	8	(5,961)	(2,965)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		8,162	4,551
DIVIDEND PAID		(3,000)	-
PROFIT FOR THE FINANCIAL YEAR		5,162	4,551
RETAINED PROFIT BROUGHT FORWARD		11,882	7,331
RETAINED PROFIT CARRIED FORWARD		17,044	11,882

SCHLUMBERGER ELECTRONICS (UK) LIMITED

BALANCE SHEET AT 31 DECEMBER 1983

	Note	1983 £'000	1983 £'000	1982 £'000	1982 £'000
FIXED ASSETS					
Tangible assets	9	9,618		7,600	
Investments	10	655		89	
			10,273		7,689
CURRENT ASSETS					
Stocks	11	15,038		12,304	
Debtors	12	28,868		25,632	
Cash at bank and in hand		384		193	
		44,290		38,129	
CREDITORS: amounts falling due within one year	13	(29,646)		(27,811)	
NET CURRENT ASSETS			14,644		10,318
TOTAL ASSETS LESS CURRENT LIABILITIES			24,917		18,007
CREDITORS: amounts falling due after more than one year	14		(4,675)		(2,927)
PROVISIONS: for liabilities and charges	15		(41)		(41)
NET ASSETS			20,201		15,039
CAPITAL AND RESERVES					
Called up share capital	16		2,718		2,718
Share premium account			36		36
Revaluation reserve			403		403
Profit and loss account			17,044		11,882
			20,201		15,039

Approved by the Directors on 22nd June, 1984

GB Thomas

PA Tempest

STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED 31 DECEMBER 1983

	1983		1982	
SOURCE OF FUNDS	£'000	£'000	£'000	£'000
Profit before tax		14,123		7,516
Adjustments for items not involving the movement of funds:-				
Depreciation	2,048		1,710	
Loss/(profit) on disposal of tangible fixed assets	(22)		55	
Loss on sale of intangible fixed assets	-		3	
		2,026		1,768
		16,149		9,284
FUNDS FROM OTHER SOURCES				
Sale of investment in subsidiary	-		74	
Proceeds from sale of fixed assets	95		50	
		95		124
		16,244		9,408
APPLICATION OF FUNDS				
Acquisition of investments	(567)		563	
Purchase of tangible fixed assets	(4,139)		(2,874)	
Businesses acquired	-		(10,582)	
Taxation	(1,306)		(41)	
Dividend paid	(3,000		-	
		(9,012)		(12,934)
		7,232		(3,526)
(INCREASE)/DECREASE IN WORKING CAPITAL				
Stocks	(2,734)		21	
Debtors	(3,236)		(3,587)	
Creditors	(1,071)		7,234	
		(7,041)		3,668
		191		142
INCREASE/(DECREASE) IN NET LIQUID FUNDS				
Short term deposit		-		(29)
Short term loans		-		200
Bank balances and deposits		191		(29)
		191		142

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31 DECEMBER 1983 (continued)

BUSINESSES ACQUIRED :

The assets and liabilities acquired in 1982 were as follows :

	£'000	£'000
FIXED ASSETS		4,252
CURRENT ASSETS		
Stocks	6,518	
Debtors	5,840	
Bank balances	77	
		12,435
CURRENT LIABILITIES		
Creditors	4,619	
Payments received in advance	592	
Amounts due to group companies	506	
Taxation	188	
Short term loans	200	
		(6,105)
NET ASSETS ACQUIRED		10,582

SCHLUMBERGER ELECTRONICS (UK) LIMITED
NOTES TO THE ACCOUNTS AT 31 DECEMBER 1983

1. ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the company's accounts.

(1) Stocks and work in progress

Stocks and work in progress except for long term contract work in progress are valued at the lower of cost and net realisable value. Cost includes all direct costs incurred in bringing inventories to their existing state including, where appropriate, a proportion of manufacturing overheads.

(2) Long term contracts

Long term contract work in progress includes profits attributable to that part of the contract work performed at the balance sheet date. Full provision is made for all foreseeable contract losses.

(3) Fixed assets

Fixed assets are stated at cost or revalued amount less accumulated depreciation. Depreciation is provided on a straight line basis over the estimated useful lives of the assets as follows:

	Estimated useful lives
Freehold buildings	30 years
Leasehold premises	50 years or over the period of the lease if less
Engineering & test equipment	3-5 years
Manufacturing machinery & equipment	3-5 years
Motor vehicles	4 years
Tooling	3 years
Fixtures, fittings and office equipment	10 years

(4) Research and development

Research and development expenditure, not chargeable to customers, is written off in the year in which it is incurred.

(5) Provision for warranty costs

Provision is made when goods are sold for the estimated future cost of repairs under warranty.

(6) Deferred taxation

Provision is made for deferred taxation arising on all material timing differences except that provision is not made where, in the opinion of the directors, the deferral is likely to continue for the foreseeable future. Deferred taxation is accounted for under the liability method.

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1983 (continued)

(7) Receipts in advance

Receipts in advance are deducted from the value of long term work in progress, or to the extent that they exceed costs incurred, are included in receipts in advance on contracts.

(8) Foreign currencies

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction. Balances denominated in a foreign currency are translated into sterling at the exchange rates ruling on the balance sheet date.

(9) Pensions

The company operates a non-contributory pension scheme, covering the majority of its permanent employees. The scheme's funds are administered by Trustees and are independent of the company's finances. The scheme is fully funded and contributions are paid to the scheme in accordance with the recommendations of independent actuaries. The company's contributions are charged against profits in the year in which contributions are made.

(10) Government grants and aid

Grants and aid received and receivable towards the development of specific products are credited to profit and loss, and the development costs are written off as incurred. Grants received and receivable in respect of expenditure on tangible fixed assets are credited to revenue over the expected useful life of the asset by reducing the cost of the acquisition of the fixed asset by the amount of the grant.

(11) Basis of accounting

The accounts have been prepared under alternative accounting rules set out in the 8th schedule to the Companies Act 1948. Freehold land is stated at revalued amounts and in other respects items are stated in the accounts under the historical cost accounting rules.

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1983 (continued)

2. TURNOVER

Turnover represents the invoiced value of sales, including progress billings on long term contracts, excluding value added tax. The analysis of turnover by geographical area is as follows:

	1983 £'000	1982 £'000
United Kingdom	42,344	33,914
Rest of Europe	8,785	10,209
North America	3,055	1,991
Australasia	1,409	813
Asia	5,601	1,233
Africa	14,223	8,534
Other	446	1,652
	75,863	58,346

3. STAFF NUMBERS AND COSTS

The average number of persons employed by the company during the year was as follows:

	1983	1982
Direct labour	1,273	1,150
Indirect production	484	457
Selling, marketing and distribution	158	137
Administration	270	244
Research and development	224	188
	2,364	2,176

The aggregate payroll costs were as follows:

	1983 £'000	1982 £'000
Wages and salaries	18,172	15,596
Social security costs	2,071	1,903
Other pension costs	1,267	1,058
	21,510	18,557

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1983 (continued)

4. OTHER OPERATING EXPENSES

These may be analysed between:

	1983 £'000	1982 £'000
Research and development expenditure	4,301	2,696
Administrative expenses	5,379	4,193
Selling, marketing and distribution costs	6,268	5,128
	15,948	12,017

5. INTEREST PAYABLE

	1983 £'000	1982 £'000
Interest on bank overdraft and loans repayable within five years	-	26

6. PROFIT ON ORDINARY ACTIVITIES

Profit before taxation is stated after taking into account the following items :

	1983 £'000	1982 £'000
Government grants receivable	(96)	(112)
Depreciation	2,048	1,710
Auditors' remuneration	70	75
Hire of plant and machinery	187	241
Exchange (gains)/losses	(45)	33

7. DIRECTORS' AND SENIOR EMPLOYEES' EMOLUMENTS

(1) DIRECTORS' EMOLUMENTS:

None of the directors received emoluments for their services as directors of the company. The directors are directors or employees of the company's immediate holding company and their emoluments are included in the accounts of that company.

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1983 (continued)

(2) SENIOR EMPLOYEES' EMOLUMENTS

The number of employees whose emoluments, excluding pension contributions, fall within the following range were:

	1983	1982
£30,001 - £35,000	2	-

8. TAXATION

The taxation charge for the year may be analysed as follows;

	1983 £'000	1982 £'000
United Kingdom corporation tax (at 52% up to 31 March 1983 and 50% thereafter)	5,961	2,979
Deferred taxation	-	(13)
Adjustments relating to prior years	-	(1)
	5,961	2,965

SCHLUMBERGER ELECTRONICS (UK) LIMITED

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1983 (continued)

9. TANGIBLE FIXED ASSETS

	Land and buildings £'000	Plant and machinery £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
Cost or valuation				
Balance at 1 January 1983	2,238	9,194	5,461	16,893
Reclassifications	(43)	43	–	–
Additions	311	2,109	1,719	4,139
Disposals	–	(262)	(195)	(457)
Balance at 31 December 1983	2,506	11,084	6,985	20,575
Depreciation				
Balance at 1 January 1983	633	5,840	2,820	9,293
Reclassifications	27	(27)	–	–
Charge for the year	94	1,095	859	2,048
Disposals	–	(228)	(156)	(384)
Balance at 31 December 1983	754	6,680	3,523	10,957
Net book amount at 31 December 1983	1,752	4,404	3,462	9,618
Net book amount at 31 December 1982	1,605	3,354	2,641	7,600

SCHLUMBERGER ELECTRONICS (UK) LIMITED

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1983 (continued)

Land and buildings may be further analysed as follows :

	Freehold Land £'000	Freehold buildings £'000	Long leasehold £'000	Short leasehold £'000	Total £'000
Cost or valuation					
Balance at 1 January 1983	386	1,575	251	26	2,238
Reclassifications	-	(43)	-	-	(43)
Additions	-	311	-	-	311
Balance at 31 December 1983	386	1,843	251	26	2,506
Depreciation					
Balance at 1 January 1983	-	614	14	5	633
Reclassifications	-	27	1	(1)	27
Charge for the year	-	88	5	1	94
Balance at 31 December 1983	-	729	20	5	754
Net book amount at 31 December 1983	386	1,114	231	21	1,752
Net book amount at 31 December 1982	386	961	237	21	1,605

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1983 (continued)

All tangible fixed assets are stated at cost except for freehold land which was revalued by the directors in 1982 to reflect the market value of the land on the date it was acquired by the company in 1975.

It would have been included on an historical cost basis at £71,000

Included in additions to freehold buildings is an amount of £28,000 relating to assets in the course of construction (1982 - £nil). No depreciation has been charged to the profit and loss account in respect of these assets.

10. FIXED ASSETS - INVESTMENTS

Investments are made up of investments in subsidiary companies. At the year end these comprise:

	1983	1982
	£	£
£1 ordinary shares in Daystrom Limited	100	100
£1 ordinary shares in Sonatest Limited	525	525
£1 ordinary shares in Balteau Sonatest Properties Limited	87,750	87,750
£1 ordinary and £1 deferred shares in PC Compteurs Limited	566,513	-
	654,888	88,375

The share capital of PC Compteurs Limited was acquired on 22 December 1983.

Group accounts are not submitted because at 31 December 1983 Schlumberger Electronics (UK) Limited was a wholly owned subsidiary of a company incorporated in the United Kingdom. In the opinion of the directors the value of the company's investments in its subsidiaries is not less than the amount at which they are stated in the balance sheet.

All of the subsidiaries, other than PC Compteurs Limited, are wholly owned and have not traded during the year. One of PC Compteurs Limited's ordinary shares is held by Schlumberger Electronics (UK) Limited's immediate holding company.

All of the subsidiaries are registered in England.

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1983 (continued)

11. STOCKS AND WORK IN PROGRESS

Stocks and work in progress at the end of the year may be analysed as follows:

	1983		1982
	£'000	£'000	£'000	£'000
Raw materials		5,453		4,104
Work in progress		6,156		5,198
Long term contract work in progress	3,239		2,214	
Less: Payments on account	(3,088)		(1,311)	
		151		903
Finished goods		3,278		2,099
		15,038		12,304

12. DEBTORS

	1983	1982
	£'000	£'000
Trade debtors	12,186	9,298
Prepayments and accrued income	579	1,252
Amounts owed by group companies	15,747	13,387
Other	356	1,695
	28,868	25,632

Of the above debtors, the following fall due after more than one year:

	1983	1982
	£'000	£'000
Trade debtors	4	-
Other	8	-
	12	-

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1983 (continued)

13. CREDITORS - amounts falling due within one year

	1983 £'000	1982 £'000
Trade creditors	6,168	4,706
Amounts due to group companies	10,887	10,853
Payments received in advance of work in progress	2,568	6,031
Taxation and social security	3,979	1,076
Accruals and deferred income	2,058	2,416
Amounts due to subsidiaries	652	652
Other creditors	3,334	2,077
	29,646	27,811

14. CREDITORS - amount falling due after more than one year.

	1983 £'000	1982 £'000
Taxation payable - 1st January 1985	4,675	2,927

15. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred Taxation £'000
Balance at 1 January 1983	41
Utilised during the year	-
Charge for the year in the profit and loss account	-
Balance at 31 December 1983	41

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1983 (continued)

The provision and potential liability for deferred taxation at 31 December 1983 is represented by the following timing differences :

	1983		1982	
	Provision £'000	Potential liability £'000	Provision £'000	Potential liability £'000
Accelerated capital allowances	-	2,889	-	3,230
Holdover/revaluation gains	41	185	41	185
Short term timing differences	-	(310)	-	(262)
Other	-	(44)	-	(66)
	41	2,720	41	3,087

16. SHARE CAPITAL

	31 December 1983 and 1982	
	Authorised	Issued and fully paid
Ordinary shares of 50p each	£3,000,000	£2,718,254

17. CAPITAL COMMITMENTS

Capital expenditure contracted for and authorised but not contracted for at 31 December 1983 for which no provisions have been made in these accounts are as follows:

	1983 £'000	1982 £'000
Contracted	2,162	435
Authorised but not contracted for	2,566	379

SCHLUMBERGER ELECTRONICS (UK) LIMITED

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1983 (continued)

18. CONTINGENT LIABILITIES

The contingent liabilities of the company not provided for in these accounts relate to bank guarantees and performance bonds amounting to £9,352,000 (1982 - £12,980,000).

19. ULTIMATE HOLDING COMPANY

The ultimate holding company is Schlumberger Limited, a company incorporated in the Netherlands Antilles.