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DIRECTORS' REPORT AND ACCOUNTS

SCHLUMBERGER ELECTRONICS (UK) LIMITED

31 December 1985

COMPANIES REGISTRATION
M
30 OCT 1986
OFFICE

Price Waterhouse

DIRECTORS' REPORT AND ACCOUNTS

SCHLUMBERGER ELECTRONICS (UK) LIMITED

31 December 1985



SCHLUMBERGER ELECTRONICS (UK) LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 1985

The Directors have pleasure in submitting their report together with the accounts of the company for the year ended 31 December 1985.

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.

REVIEW OF THE BUSINESS

The result for the year reflects the strong competition in the company's markets which prevented major turnover growth, particularly in the United Kingdom, and placed increasing pressure on margins.

FUTURE DEVELOPMENTS

The company is well placed to deploy to the full its technological and human resources in the development of new products, processes and markets. The directors intend the company to remain a world-leader in its field.

RESULTS AND DIVIDENDS

The company's profit on ordinary activities was £1,160,000 (1984 - £7,901,000) after a tax charge of £4,304,000 (1984 - £3,287,000). A dividend of £4,296,000 (1984 - nil) was declared and paid in the year. The resulting deficit of £3,136,000 (1984 surplus of £7,901,000) was transferred to reserves.

DIRECTORS

The following were directors of the company during the year:

GB Thomas
PA Tempest (resigned 8 February 1985)
F Riviere (appointed 8 February 1985)

None of the directors had an interest in the shares of the company or any other group company such as requires notification to the company under section 324 of the Companies Act 1985.

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.

SCHLUMBERGER ELECTRONICS (UK) LIMITED

REPORT OF THE DIRECTORS FOR THE
YEAR ENDED 31 DECEMBER 1985 (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 the company 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 from the continued expansion of the company.

SUBSIDIARIES

On 1 January 1985 the company acquired the business and assets of its subsidiary PC Compteurs Limited.

AUDITORS

In accordance with Section 384 of the Companies Act 1985, 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

N Rowntree
Secretary

23 October 1986

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Price Waterhouse

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 the accounts give a true and fair view of the state of the company's affairs at 31 December 1985 and of its profit and source and application of funds for the year then ended and comply with the Companies Act 1985.

Price Waterhouse

Chartered Accountants

29 October 1986

SCHLUMBERGER ELECTRONICS (UK) LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1985

	Note	1985 £'000	1984 £'000
TURNOVER	2	83,315	79,006
Cost of sales		(53,992)	(49,598)
Gross profit		29,323	29,408
Other operating expenses	4	(21,733)	(17,779)
Interest receivable		2	9
Interest payable	5	(2,128)	(450)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	5,464	11,188
GROUP RELIEF	8	(2,380)	(256)
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	9	(1,924)	(3,031)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,160	7,901
DIVIDEND PAID		(4,296)	-
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		(3,136)	7,901
RETAINED PROFIT BROUGHT FORWARD		24,945	17,044
RETAINED PROFIT CARRIED FORWARD		21,809	24,945

SCHLUMBERGER ELECTRONICS (UK) LIMITED

BALANCE SHEET AT 31 DECEMBER 1985

	Note	1985		1984	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	10	20,522		15,488	
Investments	11	655		655	
			21,177		16,143
CURRENT ASSETS					
Stocks	12	21,152		19,616	
Debtors	13	35,677		40,260	
Cash at bank and in hand		104		1,526	
		56,933		61,402	
CREDITORS: amounts falling due within one year	14	(43,907)		(40,991)	
NET CURRENT ASSETS			13,026		20,411
TOTAL ASSETS LESS CURRENT LIABILITIES			34,203		36,554
CREDITORS: amounts falling due after more than one year	15		(8,468)		(8,363)
PROVISIONS: for liabilities and charges	16		(769)		(89)
NET ASSETS			24,966		28,102
CAPITAL AND RESERVES					
Called up share capital	17		2,718		2,718
Share premium account			36		36
Other reserves			403		403
Profit and loss account			21,809		24,945
			24,966		28,102

Approved by the Directors on 29 October 1986

GB Thomas
F Riviere

SCHLUMBERGER ELECTRONICS (UK) LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31 DECEMBER 1985

	1985		1984	
	£'000	£'000	£'000	£'000
SOURCE OF FUNDS				
Profit before tax		5,464		11,188
Adjustments for items not involving the movement of funds:				
Depreciation	3,200		2,328	
Profit on disposal of tangible fixed assets	(401)		(24)	
		2,799		2,304
		8,263		13,492
FUNDS FROM OTHER SOURCES				
Bank loan		3,000	5,000	
Proceeds from sale of fixed assets		592	135	
		11,855		5,135
				18,627
APPLICATION OF FUNDS				
Acquisition of investments			-	
Purchase of tangible fixed assets	(8,418)		(8,309)	
Taxation paid	(4,667)		(2,834)	
Group relief paid	(6,519)			
Dividend paid	(4,296)		-	
Acquisition of business	(551)		-	
		(24,451)		(11,143)
		(12,596)		7,484
(INCREASE)/DECREASE IN WORKING CAPITAL				
Stocks	(1,355)		(4,578)	
Debtors	5,769		(11,392)	
Creditors	(3,838)		3,580	
		576		(12,390)
		(12,020)		(4,906)
INCREASE/(DECREASE) IN NET LIQUID FUNDS:				
Bank overdrafts		(10,598)		(6,048)
Bank balances		(1,422)		1,142
		(12,020)		(4,906)

SCHLUMBERGER ELECTRONICS (UK) LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31 DECEMBER 1985 (continued)

BUSINESS ACQUIRED

The company acquired the following assets and liabilities of PC Comptsurs Limited on 1 January 1985.

	£'000s	£'000s
FIXED ASSETS		8
CURRENT ASSETS		
Stock	181	
Debtors	668	
	849	
CREDITORS: amounts falling due within one year	(306)	
NET CURRENT ASSETS		543
NET ASSETS ACQUIRED		551

SCHLUMBERGER ELECTRONICS (UK) LIMITED

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1985

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 and test equipment	3-5 years
Manufacturing machinery and 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 is written off in the year in which it is incurred to the extent that it is not directly chargeable to customers.

(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.

(7) Customer payments on account

Customer payments on account are deducted from the value of long term work in progress, or, to the extent that they exceed costs incurred, are included in creditors as payments received in advance of work in progress.

(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) Operating leases

Rentals paid under operating leases are charged to income as incurred.

(10) 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.

(11) Government grants and aid

Grants and aid received and receivable towards the development of specific products are credited to the profit and loss account 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.

(12) Basis of accounting

The accounts have been prepared under alternative accounting rules set out in the 4th schedule to the Companies Act 1985 under the historical cost accounting rules.

2 TURNOVER

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

	1985 £'000	1984 £'000
United Kingdom	48,279	48,443
Asia and Africa	12,323	14,514
Rest of Europe	13,135	8,752
North America	7,916	5,367
Australasia	671	634
Other	991	1,296
	83,315	79,006

3 STAFF NUMBERS AND COSTS

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

	1985	1984
Direct labour	1,163	1,199
Indirect production	485	467
Selling, marketing and distribution	179	177
Administration	271	268
Research and development	326	246
	2,424	2,357

The aggregate payroll costs were as follows:

	1985 £'000	1984 £'000
Wages and salaries	22,524	19,907
Social security costs	2,697	2,096
Other pension costs	1,158	1,335
	26,379	23,338

4 OTHER OPERATING EXPENSES

These may be analysed between:

	1985 £'000	1984 £'000
Research and development expenditure	7,141	5,100
Administrative expenses	6,099	5,266
Selling, marketing and distribution costs	8,493	7,413
	21,733	17,779

5 INTEREST PAYABLE

	1985 £'000	1984 £'000
Interest on bank overdraft and loans repayable within five years	2,128	450

6 PROFIT ON ORDINARY ACTIVITIES

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

	1985 £'000	1984 £'000
Government grants receivable	(876)	(647)
Depreciation	3,175	2,328
Auditors' remuneration	80	75
Hire of plant and machinery		
- finance leases	7	5
- operating leases	128	23
Hire of other assets		
- finance leases	9	21
- operating leases	191	191
Exchange losses/(gains)	298	(96)

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.

(2) SENIOR EMPLOYEES' EMOLUMENTS

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

	1985	1984
£30,001 - £35,000	3	3
£35,001 - £40,000	4	1
£40,001 - £45,000	2	1
£45,001 - £50,000	2	1
£50,001 - £55,000	1	-

8 GROUP RELIEF

Group relief represents amounts payable to fellow subsidiaries for tax losses surrendered in excess of the rate of Corporation Tax applicable in the year.

9 TAXATION

The taxation charge based on the profit for the year may be analysed as follows:

	1985 £'000	1984 £'000
United Kingdom corporation tax (at 45% up to 31 March 1985 and 40% thereafter)	1,585	3,107
Deferred taxation	680	48
Adjustments relating to prior years	(341)	(124)
	1,924	3,031

10 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 1985	5,902	13,689	8,660	28,251
Additions	2,329	4,020	2,069	8,418
Reclassification	25	(25)	177	177
Acquisition of subsidiary	-	37	14	51
Disposals	(105)	(513)	(158)	(776)
Balance at 31 December 1985	8,151	17,208	10,762	36,121
Depreciation				
Balance at 1 January 1985	870	7,280	4,613	12,763
Charge	215	1,871	1,114	3,200
Reclassification	-	-	177	177
Acquisition of subsidiary	-	33	11	44
Disposals	(44)	(399)	(142)	(585)
Balance at 31 December 1985	1,041	8,785	5,773	15,599
Net book amount at 31 December 1985	7,110	8,423	4,989	20,522
Net book amount at 31 December 1984	5,032	6,409	4,047	15,488

Included in additions to fixed assets are assets under construction. No depreciation has been charged to the profit and loss account in respect of these assets:

	1985 £'000	1984 £'000
Fixtures, fittings, tools and equipment	565	54
Plant and machinery	201	161
Freehold buildings	3	1,110
	769	1,325

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1985 (continued)

Land and buildings may be further analysed as follows:

	Freehold land	Freehold buildings	Long leasehold	Short leasehold	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
Balance at 1 January 1985	800	4,825	251	26	5,902
Additions	-	938	1,793	-	2,729
Reclassification	-	-	25	-	25
Acquisition of subsidiary	-	-	-	-	-
Disposals	(25)	(68)	(12)	-	(105)
Balance at 31 December 1985	775	5,695	2,057	26	8,551
Depreciation					
Balance at 1 January 1985	-	839	25	6	870
Charge	-	139	75	1	215
Disposals	-	(32)	(12)	-	(44)
Balance at 31 December 1986	-	946	88	7	1,041
Net book amount at 31 December 1985	775	4,347	1,969	19	7,110
Net book amount at 31 December 1984	800	3,986	226	20	5,032

11 FIXED ASSETS - INVESTMENTS

	1985 £	1984 £
£1 ordinary shares in [illegible] Limited	100	100
£1 ordinary shares in Schlumberger Limited	525	525
£1 ordinary shares in Schlumberger Overseas Properties Limited	87,750	87,750
£1 ordinary and £1 deferred shares in PU Computers Limited	566,513	566,513
	654,888	654,888

Group accounts are not prepared because at 31 December 1985 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 are wholly owned, have not traded during the year and are registered in England.

12 STOCKS AND WORK IN PROGRESS

Stocks and work in progress may be analysed as follows:

	1985		1984	
	£'000	£'000	£'000	£'000
Raw materials		6,268		5,299
Work in progress		9,626		9,836
Long term contract work in progress	2,775		5,748	
Less: payments on account	(2,324)		(5,237)	
		451		511
Finished goods		4,807		3,970
		21,152		19,616

13 DEBTORS

	1985 £'000	1984 £'000
Trade debtors	13,667	11,190
Prepayments and accrued income	989	625
Amounts owed by group companies	18,954	26,643
Other debtors	2,067	1,802
	35,677	40,260

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

	1985 £'000	1984 £'000
Trade debtors	13	7
Other	6	6
	19	13

14 CREDITORS - amounts falling due within one year

	1985 £'000	1984 £'000
Bank loan and overdraft	16,646	6,048
Trade creditors	4,374	5,306
Amounts due to group companies	12,954	12,172
Amounts due to subsidiaries	1,166	652
Payments received in advance of work in progress	1,274	3,456
Taxation and social security	543	6,385
Advance corporation tax	1,201	-
Accruals and deferred income	2,193	3,789
Other creditors	3,536	3,183
	43,907	40,991

15 CREDITORS - amounts falling due after more than one year.

	1985 £'000	1984 £'000
Taxation payable - 1 January 1987	468	3,363
Bank loan - repayable 31 December 1990	8,000	5,000
	8,468	8,363

16 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £'000
Balance at 1 January 1985	89
Charge for the year in the profit and loss account	680
Balance at 31 December 1985	769

The provision and potential liability for deferred taxation at 31 December 1985 is represented by the following timing differences:

	1985		1984	
	Provision £'000	potential liability £'000	Provision £'000	potential liability £'000
Accelerated capital allowances	836	4,666	60	4,261
Holdover/revaluation gains	-	242	41	185
Short term timing differences	(67)	(67)	(12)	(247)
Other	-	-	-	(44)
	769	4,841	89	4,155

The potential liabilities and provisions have been calculated at 35% (1984 - 35%) in respect of accelerated capital allowances, 30% (1984 - 30%) in respect of holdover and revaluation gains and 36.25% (1984 - 41.25%) in respect of short term timing differences.

17 SHARE CAPITAL

	31 December 1984 and 1985	
	Authorised	Issued and fully paid
Ordinary shares of 50p each	£3,000,0[illegible]	£2,718,254

18 OPERATING LEASE COMMITMENTS

At 31 December 1985 there were [illegible] commitments under non-cancellable operating leases which expire as follows:

	1985			1984
	Land and buildings £'000	Other leases £'000	Total £'000	Total £'000
Amounts payable in the next year	163	45	208	202
Representing commitments expiring:				
Within one year	-	5	5	1
Between two and five years	14	37	51	48
More than five years	149	3	152	153
	163	45	208	202

19 CAPITAL COMMITMENTS

Capital expenditure contracted for and authorised but not contracted for at 31 December 1985, for which no provisions have been made in these accounts, are as follows:

	1985 £'000	1984 £'000
Contracted	668	2,749
Authorised but not contracted for	101	109

20 CONTINGENT LIABILITIES

The contingent liabilities of the company not provided for in these accounts relate to bank guarantees and performance bonds amounting to £4,927,000 (1984 - £5,783,000).

21 ULTIMATE HOLDING COMPANY

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