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Price Waterhouse

Company No.
534821

SCHLUMBERGER INDUSTRIES LIMITED

DIRECTORS' REPORT AND ACCOUNTS

31 DECEMBER 1990

534821

SCHLUMBERGER INDUSTRIES LIMITED
(Registered Number: 534821)

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 1990

The directors have pleasure in submitting their annual report together with the accounts of the Company for the year ended 31 December 1990.

REVIEW OF THE BUSINESS

The Company's principal activity during the year was the manufacture of meters, for measuring electricity, gas and fluid consumption; and transducers for measuring pressure, density, temperature, level and position for industrial and aerospace applications.

Turnover increased by 20% with the first full year of trading of the recently acquired gas metering division.

The Company intends to maintain and improve its position as the major utility metering company in the United Kingdom by continued development and rationalisation of this core business. During the year new electricity metering production facilities were opened in Felixstowe. In April 1991 the company announced that it was discontinuing the supply of Energy Management products at its Cambridge site due to the poor economic climate in the Construction Industry.

RESULTS AND DIVIDENDS

The profit on the year's trading, amounts added to reserves, proposed dividends and the financial position of the Company are shown in the annexed accounts.

DIRECTORS

The following were directors of the Company during the year:

BD Stoole
P Ormiston
E May
P Tempest
K Cadman (appointed 21 February 1991)

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.

FIXED ASSETS

The directors are of the opinion, except as stated below, that there is no material difference between the book value and market value of the tangible fixed assets.

The directors have signed a conditional agreement to sell freehold land and buildings of a site, surplus to current requirements, and having a net cost of £0.7 million. Proceeds are estimated to be in excess of £16 million.

SCHLUMBERGER INDUSTRIES LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 1990

POLICY FOR EMPLOYMENT OF DISABLED PERSONS

It is the Company's policy to give full and fair consideration to suitable applications for employment from disabled persons, having regard to their particular aptitudes and abilities.

Disabled employees are eligible to participate in all career development opportunities available to staff. Opportunities also exist for employees of the Company who become disabled to continue in their employment or to be trained for other positions in the Company.

EMPLOYEE PARTICIPATION

Participation by employees is facilitated by a works council made up of elected departmental representatives and management. Employees are systematically provided with information on matters of concern to them as employees. Employees are further encouraged to be involved in the company's performance by being eligible to purchase the ultimate parent company, Schlumberger Limited's stock at a discounted rate.

RESEARCH AND DEVELOPMENT

The Company is committed to devoting substantial resources to research aimed at developing new products and processes. In 1990 research and development expenditure was £6,320,000 (1989: £5,903,000).

POLITICAL AND CHARITABLE CONTRIBUTIONS

No political contributions were made during the year. Charitable donations amounting to £2,777 (1989: £3,353) were made during the year.

AUDITORS

Price Waterhouse have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the forthcoming Annual General Meeting.

By order of the Board

B Stoole

B Stoole
Secretary

28 June 1991

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Price Waterhouse

AUDITORS' REPORT TO THE MEMBERS OF SCHLUMBERGER INDUSTRIES LIMITED

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

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31 December 1990 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Chartered Accountants

28 June 1991

Offices at Aberdeen, Birmingham, Bristol, Cardiff, Edinburgh, Glasgow, Hull, Leeds, Leicester, Liverpool, London, Manchester, Middlesbrough, Newcastle, Nottingham, Redhill, St. Albans, Southampton and Windsor.

The partnership's principal place of business is at Southwark Towers, 32 London Bridge Street, London SE1 9SY where a list of the partners' names is available for inspection.

The firm is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

SCHLUMBERGER INDUSTRIES LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1990

	Note	1990 £'000	1989 £'000
TURNOVER	2	127,626	106,200
Cost of sales		(88,591)	(71,889)
Gross profit		39,035	34,311
Other operating expenses	4	(26,800)	(21,108)
Operating profit		12,235	13,203
Interest payable	5	(8,884)	(5,069)
Exceptional item	6	-	(3,768)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	7	3,351	4,366
TAX ON PROFIT ON ORDINARY ACTIVITIES	9	(1,466)	(1,539)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,885	2,827
Extraordinary item	10	-	4,564
PROFIT FOR THE FINANCIAL YEAR		1,885	7,391
PROFIT FOR THE FINANCIAL YEAR TRANSFERRED TO RESERVES		1,885	7,391
RETAINED PROFIT BROUGHT FORWARD		35,495	28,104
RETAINED PROFIT CARRIED FORWARD		37,380	35,495

The notes of pages 7 to 19 form part of these accounts

SCHLUMBERGER INDUSTRIES LIMITED

BALANCE SHEET AT 31 DECEMBER 1990

	Note	1990 £'000	1989 £'000
FIXED ASSETS			
Intangible assets	11	42,792	44,619
Tangible assets	12	42,287	34,814
Investments	13	2,910	2,910
		87,989	82,343
CURRENT ASSETS			
Stocks	14	18,380	16,638
Debtors	15	41,007	54,667
Cash at bank and in hand		4,019	1,098
		63,406	72,403
CREDITORS: Amounts falling due within one year	16	(71,895)	(68,282)
NET CURRENT (LIABILITIES) /ASSETS		(8,489)	4,121
TOTAL ASSETS LESS CURRENT LIABILITIES		79,500	86,464
CREDITORS: Amounts falling due after more than one year	17	(38,752)	(47,363)
PROVISIONS: for liabilities and charges	18	(211)	(449)
NET ASSETS		40,537	38,652
CAPITAL AND RESERVES			
Called up share capital	19	2,718	2,718
Share premium account		36	36
Other reserves		403	403
Profit and loss account.		37,380	35,495
		40,537	38,652

The notes on pages 7 to 19 form part of these accounts.

Approved by the Directors on 28 June 1991.

P Tempest

SCHLUMBERCER INDUSTRIES LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31 DECEMBER 1990

	1990 £'000	1989 £'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax and extraordinary items	3,351	4,366
Depreciation and amortisation	7,707	6,172
Decrease in debtors	13,660	2,202
Increase in creditors	3,162	12,329
(Increase) in stock	(1,742)	(1,571)
Corporation tax paid	(2,819)	(5,934)
Group relief purchased	-	(1,485)
Cash flow from operating activities	23,319	16,079
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investments	-	(281)
Acquisition of goodwill	-	(45,685)
Purchase of fixed assets	(13,845)	(22,094)
Proceeds from disposal of fixed assets	492	1,363
Extraordinary item	-	4,564
Cash flow from investing activities	(13,353)	(62,133)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of loans	(8,612)	55,975
Payment of dividend	-	(8,000)
Cash flow from financing activities	(8,612)	47,975
Net increase in cash and cash equivalents	1,354	1,921
Cash and cash equivalents at beginning of year	(225)	(2,146)
Cash and cash equivalents at end of year	1,129	(225)

SCHLUMBERGER INDUSTRIES LIMITED

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1990

1. ACCOUNTING POLICIES

Accounting policies

1) The accounts have been prepared according to the historical cost convention and in accordance with applicable accounting standards.

2) Basis of accounts

Group accounts are not submitted because at 31 December 1990 Schlumberger Industries Limited was a wholly owned subsidiary of Schlumberger Measurement and Systems Limited, a company incorporated in Great Britain.

3) 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 fundable by customers.

4) Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost includes direct materials, labour and manufacturing overheads incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less further costs to completion and selling costs.

5) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.
Depreciation is provided on a straight line basis over the expected useful lives of each category of tangible fixed assets.

Freehold buildings	30 years
Leasehold buildings	50 years or the life of the lease if shorter
Plant and machinery	3-5 years
Motor vehicles	4 years
Fixtures, fittings and office equipment	2-10 years

6) Intangible assets

The goodwill arising on the acquisition of the Flow Measurement and Metflex businesses is being amortised through the profit and loss account over 25 years.

7) Deferred taxation

Deferred taxation is provided on the liability method only where there is a reasonable probability of a liability arising in the foreseeable future.

8) Operating leases

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

9) Foreign currencies

Profit and loss account transactions in foreign currencies are translated into sterling at the exchange rate in operation on the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into sterling at the closing rates. All revaluation differences and realised foreign exchange differences are taken to profit and loss.

2 TURNOVER

Turnover represents the sales value of goods and services supplied to customers, excluding value added tax. The analysis of turnover by geographical area is as follows:

	1990 £'000	1989 £'000
United Kingdom	105,733	89,797
Rest of Europe	10,650	7,580
Asia and Africa	4,879	3,281
Americas	5,902	5,235
Australasia	462	279
Other	-	28
	127,626	106,200

In the opinion of the directors there is only one class of business.

3. STAFF NUMBERS AND COSTS

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

	1990	1989
Direct labour	1,512	1,222
Indirect production	833	587
Selling, marketing and distribution	170	123
Administration	170	203
Research	188	148
	2,873	2,283

The aggregate payroll costs were as follows:

	1990 £'000	1989 £'000
Wages and salaries	39,830	29,181
Social security costs	3,151	2,226
Other pension costs	3,669	2,090
	46,650	33,497

4. OTHER OPERATING EXPENSES

These may be analysed between:

	1990 £'000	1989 £'000
Research and development expenditure	6,320	5,903
Administrative expenses	13,172	8,809
Selling, marketing and distribution costs	7,308	6,396
	26,800	21,108

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1990 (continued)

5. INTEREST PAYABLE

	1990 £'000	1989 £'000
Interest on bank overdrafts repayable within 5 years	687	158
Interest on loans repayable after 5 years	8,197	4,911
	8,884	5,069

6. EXCEPTIONAL ITEM

The exceptional item in 1989 related to the cost of relocating part of the operations of one of the Company's divisions.

7. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	1990 £'000	1989 £'000
Depreciation	5,985	5,078
Amortisation of intangible assets	1,827	1,066
Auditors' remuneration	74	83
Operating lease rentals:		
- plant and machinery	265	315
- other leases	288	119
Exchange (gains)/losses	158	53
Charitable contributions	3	3
(Profit)/Loss on disposal of fixed assets	(105)	28

8. DIRECTORS' AND SENIOR EMPLOYEES' EMOLUMENTS

(1) Directors' Emoluments

The emoluments of the directors of the Company were:

	1990 £'000	1989 £'000
Fees	-	-
Other emoluments	253	198

The analysis of the directors' emoluments, excluding pension contributions, is:

	1990 £	1989 £
Chairman	-	-
Highest paid director	79,090	76,274

Other directors:	Number	Number
From £ 5,001 to £10,000	-	1
From £40,001 to £45,000	-	1
From £45,001 to £50,000	2	1
From £55,001 to £60,000	1	-

9. TAXATION

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

	1990 £'000	1989 £'000
United Kingdom corporation tax at 34.25%	1,616	1,948
Deferred taxation	(238)	(470)
Adjustments relating to prior years	88	61
	1,466	1,539

The actual tax charge for 1990 exceeds the notional charge calculated at 34.25% of the profit before taxation because of permanent differences arising on the amortisation of goodwill.

10. EXTRAORDINARY ITEM

The extraordinary item in 1989 related to the gain arising on the disposal of the Defence Systems division. Due to availability of rollover relief, no capital gains tax was charged on the surplus arising.

SCHLUMBERGER INDUSTRIES LIMITED

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1990 (continued)

11. INTANGIBLE FIXED ASSETS

	Goodwill £'000
Cost	
Balance at 1 January 1990 and 31 December 1990	45,685
Amortisation	
Balance at 1 January 1990	1,066
Charge	1,827
Balance at 31 December 1990	2,893
Net book amount at 31 December 1990	42,792
Net book amount at 31 December 1989	44,619

The goodwill arose on the acquisition by the Company of the net assets of the Flow Measurement and Metflex businesses and is being amortised over 25 years.

12. 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 1990	15,574	25,352	19,269	60,195
Additions	2,297	4,177	7,371	13,845
Reclassification	200	(1,163)	963	-
Disposal		(897)	(532)	(1,429)
Balance at 31 December 1990	18,071	27,469	27,071	72,611
Depreciation				
Balance at 1 January 1990	1,796	13,748	9,837	25,381
Charge	384	2,950	2,651	5,985
Disposals		(730)	(312)	(1,042)
Reclassification	200	(1,392)	1,192	-
Balance at 31 December 1990	2,380	14,576	13,368	30,324
Net book amount at 31 December 1990	15,691	12,893	13,703	42,287
Net book amount at 31 December 1989	13,778	11,604	9,432	34,814

12. TANGIBLE FIXED ASSETS (continued)

Land and buildings may be further analysed as follows:

	Freehold land £'000	Freehold buildings £'000	Short leasehold £'000	Total £'000
Cost or valuation				
Balance at 1 January 1990	1,045	14,494	35	15,574
Additions	31	1,607	659	2,297
Reclassification		200		200
Balance at 31 December 1990	1,076	16,301	694	18,071
Depreciation				
Balance at 1 January 1990	-	1,782	14	1,796
Charge		350	34	384
Reclassification		200		200
Balance at 31 December 1990	-	2,332	48	2,380
Net book amount at 31 December 1990	1,076	13,969	646	15,691
Net book amount at 31 December 1989	1,045	12,712	21	13,778

13. FIXED ASSETS - INVESTMENTS

Shares in Group Undertakings	1990 £	1989 £
£1 Ordinary shares in Solartron Limited	100	100
£1 Ordinary shares in Balteau Sonatest Properties Limited	505	505
£1 Ordinary and £1 deferred shares in PC Compteurs Limited	41,853	41,853
£1 Ordinary shares in Neptune Measurement Limited	2,586,627	2,586,627
£1 Ordinary shares in Schlumberger Flow Measurement Limited	184,873	184,873
£1 Ordinary shares in Schlumberger Metflex Limited	96,250	96,250
	2,910,208	2,910,208

All of the subsidiaries are wholly owned dormant companies and are registered in England. In the opinion of the directors the value of the Company's investment in these subsidiaries is not less than the amount at which they are included in these accounts.

14. STOCKS AND WORK IN PROGRESS

Stocks and work in progress may be analysed as follows:

	1990 £'000	1989 £'000
Raw materials	7,838	5,205
Work in progress	6,753	7,677
Finished goods	3,789	3,756
	18,380	16,638

The replacement cost of stocks does not differ significantly from the balance sheet value.

15. DEBTORS

	1990 £'000	1989 £'000
Trade debtors	19,405	17,520
Prepayments and accrued income	854	736
Amounts owed by parent undertaking	5,635	12,155
Amounts owed by subsidiary undertaking	60	60
Amounts owed by fellow subsidiary undertaking	14,579	24,035
Other debtors	474	161
	41,007	54,667

16. CREDITORS - amounts falling due within one year

	1990 £'000	1989 £'000
Bank loan (see note 17)	8,612	8,612
Overdraft	2,890	1,323
Trade creditors	9,508	10,383
Amounts owed to parent undertaking	442	247
Amounts owed to subsidiary undertaking	1,327	1,327
Amounts owed to fellow subsidiary undertaking	29,507	30,110
Taxation and social security	1,412	2,800
Accruals and deferred income	7,662	6,753
Other creditors	10,535	6,727
	71,895	68,282

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

	1990 £'000	1989 £'000
Unsecured bank loans, bearing interest at LIBOR plus 3/16% and repayable in equal half-yearly instalments		
within 5 years	43,058	43,058
after 5 years	4,306	12,917
	47,364	55,975
Less: included in current liabilities (see note 16)	(8,612)	(8,612)
	38,752	47,363

18. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £'000
Balance at 1 January 1990	449
Charge for the year in the profit and loss account	(238)
Balance at 31 December 1990	211

The provision and potential liability for deferred taxation at 31 December 1990 is represented by the following timing differences:

	1990		1989	
	Provision £'000	Total potential liability £'000	Provision £'000	Total potential liability £'000
Accelerated capital allowances	449	4,417	449	3,911
Short term timing differences	(238)	-	-	-
Holdover/rollover gains	-	2,266	-	2,266
	211	6,683	449	6,177

19. SHARE CAPITAL

	31 December 1990 and 1989	
	Authorised	Allotted and fully paid
Ordinary shares of 50p each	£3,000,000	£2,718,254

20. PENSIONS

The Company participates in a group pension scheme which provides defined benefits based on final pensionable pay and benefits derived from defined contributions. The assets of the scheme are held in separate trustee administered funds. 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 biannual valuations. The latest valuation as at 1 April 1990 is in progress. Particulars of the most recent actuarial valuation of the scheme at 1 January 1988, are contained in the accounts of Schlumberger Measurement and Systems Limited.

The pension charge for the year was £3,669,000 (1989: £2,090,000). The increase in the pension charge for the year is largely due to a 41% increase in scheme members following the elegibility of the recently acquired gas metering division's employees to join the Schlumberger UK pension scheme. A provision of £216,000 (1989: £116,000) is included in creditors, this being the excess of the accumulated pension cost over the amount funded.

21. OPERATING LEASE COMMITMENTS

At 31 December 1990 there were annual commitments under non-cancellable operating leases which expire as follows:

	1990			1989
	Land and buildings £'000	Other leases £'000	Total £'000	Total £'000
Amounts payable in the next year	380	389	769	621
Representing commitments expiring:-				
Within one year	-	165	165	198
Between two and five years	-	205	205	309
More than five years	380	19	399	114
	380	389	769	621

22. CAPITAL COMMITMENTS

Capital expenditure contracted for and authorised but not contracted for at 31 December 1990, for which no provisions have been made in these accounts, are as follows:

	1990 £'000	1989 £'000
Contracted	342	4,506
Authorised but not contracted for	371	2,264

23. CONTINGENT LIABILITIES

Employee relocation scheme

The Company operates a scheme to assist with the relocation of employees. Under this scheme the company guarantees the disposal of employee property at an agreed value. At 31 December 1990 the total value of these properties remaining unsold was £633,000. The Company has made a provision of £150,000 in respect of potential shortfalls between the agreed value and future sale proceeds.

Other contingent liabilities not provided for in these accounts amount to £259,000 (1989: £251,000) and are in respect of bank guarantees and performance bonds in the normal course of business.

24. ULTIMATE PARENT COMPANY

Schlumberger Measurement and Systems Limited, a company registered in Great Britain, is the parent undertaking of the smallest group of undertakings of which Schlumberger Industries Limited is a member and for which group accounts are drawn up.

Schlumberger Limited, a company incorporated in the Netherlands Antilles, is the ultimate parent company. Copies of the accounts of Schlumberger Measurement and Systems Limited can be obtained from 1 Kingsway, London WC2B 6XH and Schlumberger Limited from 277 Park Avenue, New York, NY 10172-0266, U.S.A..