SCHLUMBERGER INDUSTRIES LIMITED

DIRECTORS' REPORT AND ACCOUNTS

31st December 1995

Registered number: 534821



SCHLUMBERGER INDUSTRIES LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 1995

The directors have pleasure in submitting their annual report together with the accounts of the Company for the year ended 31 December 1995.

REVIEW OF THE BUSINESS

The principal activity of the company is the manufacture and servicing of meters and systems for measuring and management of electricity, gas and water consumption, automatic meter reading and billing systems.

The continued downturn in both the Electricity and Gas Management divisions caused revenue to fall by nearly 8% to £74 million.

1995 was again a very disappointing year for the Electricity Metering division despite extensive restructuring to make it a marketing led, responsive business. The changing face of the electricity supply market in the UK with it's mergers, acquisitions and takeovers meant that customers purchased minimum needs and repaired or stretched their existing stock of meters. No agreement was reached on the future commercial framework of the industry, with the net result that little change is foreseen in the immediate future.

RESULT AND DIVIDENDS

The profit on the year's trading, amounts transferred to reserves and the financial position of the Company are shown in the annexed accounts. The Directors do not propose a dividend (1994: zero)

DIRECTORS

The following were directors of the Company during the year and at the date of this report:

B Stoole	
K Cadman	Resigned 26th April 1996
A M Beckett	Resigned 1st October 1996
A Goldby	
A Mahoney	

No director 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.

POLITICAL CONTRIBUTIONS AND CHARITABLE DONATIONS

No political contributions were made during the year. Charitable donations amounting to £4,777 (1994: £8,973) were made during the year.

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.

RESEARCH AND DEVELOPMENT

The research and development activities of the company continue to be aimed at developing new products and processes.

FIXED ASSETS

Significant changes in fixed assets are shown in notes 10 to 12 in the accounts.

EMPLOYEE PARTICIPATION

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 stock of the ultimate parent company, Schlumberger Limited, at a discounted rate through an annual savings scheme.

DIRECTORS RESPONSIBILITIES

Under the Companies Act 1985, the directors are required to prepare accounts which give a true and fair view of the state of affairs of the Company as at the end of its financial year and of the profit or loss for the financial year. The directors are also responsible for ensuring that adequate accounting records are maintained.

Suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the accounts and applicable accounting standards have been followed.

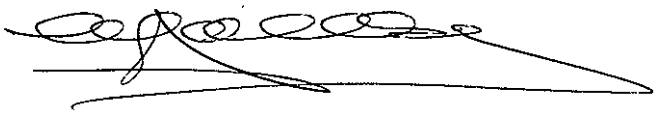
The directors are required to prepare the accounts on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are also responsible to the Company for taking reasonable steps to safeguard the Company's assets and to prevent and detect fraud and other irregularities.

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



A Goldby
Director

15 October 1996

SCHLUMBERGER INDUSTRIES LIMITED

AUDITORS' REPORT TO THE MEMBERS OF
SCHLUMBERGER INDUSTRIES LIMITED

We have audited the financial statements on pages 5 to 19 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors
As described in the Directors' Report, the Company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial 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 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 of the state of affairs of the Company as at 31st December 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Price Waterhouse
Chartered Accountants
and Registered Auditors
Southwark Towers
32 London Bridge Street
London SE1 9SY

15 October 1996

SCHLUMBERGER INDUSTRIES LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1995

	Note	1995 £'000	1994 £'000
TURNOVER	2	74,362	80,008
Cost of sales		(52,319)	(54,564)
GROSS PROFIT		22,043	25,444
Other operating expenses		(13,735)	(28,785)
OPERATING PROFIT/(LOSS)	4	8,308	(3,341)
Profit on sale of discontinued operations	6	-	426
Gain/(loss) on disposal of fixed assets		544	(75)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST		8,852	(2,990)
Interest receivable	5a	-	17
Interest payable	5b	(3,156)	(2,161)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	7	5,696	(5,134)
TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES	9	(3,163)	(399)
RETAINED PROFIT/(LOSS) FOR THE YEAR	20	2,533	(5,533)

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

The Company has recognised no gains or losses other than those shown in the above profit and loss account.

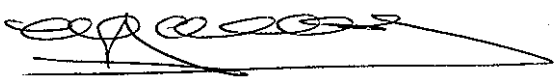
SCHLUMBERGER INDUSTRIES LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1995

	Note	1995 £'000	1994 £'000
FIXED ASSETS			
Intangible assets	10	33,750	35,598
Tangible assets	11	22,427	23,613
Investments	12	3,296	3,160
		59,473	62,371
CURRENT ASSETS			
Stocks	13	9,701	8,086
Debtors	14	57,132	46,795
Cash and short term investments		6,476	2,360
		73,309	57,241
CREDITORS: Amounts falling due within one year	15	(20,137)	(32,551)
NET CURRENT ASSETS		53,172	24,690
TOTAL ASSETS LESS CURRENT LIABILITIES		112,645	87,061
CREDITORS: Amounts falling due after more than one year	16	(50,500)	(27,808)
Provision for liabilities and charges	17	631	990
NET ASSETS		62,776	60,243
CAPITAL AND RESERVES			
Called up share capital	18	2,718	2,718
Share premium account	19	36	36
Profit and loss account	20	60,022	57,489
		62,776	60,243

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

Approved by the directors on 15 October 1996



A Goldby

SCHLUMBERGER INDUSTRIES LIMITED

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1995

1. ACCOUNTING POLICIES

1) Accounting policies

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

2) Basis of accounts

The Company is exempt from preparing and delivering group accounts under section 228 of the Companies Act 1985. The financial information is presented about the company as an individual and not about its group.

3) Turnover

Turnover represents the sales value of goods and services supplied to external customers, excluding value added tax.

4) Research and development

Research and development expenditure is written off in the year in which it is incurred.

5) Leases

Finance and operating leases

Where the Company is a lessee under finance leases (including hire purchase contracts), the leased assets are capitalised and included in tangible fixed assets and the corresponding liability to the lessor is included in creditors. Finance charges payable are recognised over the periods of the leases, based on the interest rates implicit in the leases. Assets leased to customers under agreements which transfer substantially all the risks and rewards associated with ownership, other than legal title, are classified as finance leases.

All other leases are classified as operating leases and, where the Company is the lessor, are included in tangible fixed assets. Rentals payable and receivable under operating leases are accounted for on the straight line basis over the periods of the leases and are included in 'expenses' and 'operating income' respectively.

Property leases

The rents payable under the property leases are spread on a straight-line basis over the lease term or, if shorter than the full lease term, over the period to the first review date.

6) 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.

ACCOUNTING POLICIES (continued)

7) 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 at the following rates:

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

Freehold land is not depreciated.

8) Intangible fixed assets

Goodwill, representing the excess of the purchase consideration over the fair value of the net separable assets acquired, is capitalised and amortised over an appropriate period.

The goodwill, which remains as an asset in the balance sheet at 31 December 1995, relates to the acquisitions of the gas metering division of Thorn EMI (Flow Measurement and Metflex) and BM Gas Systems, and is being amortised through the profit and loss account over 25 years. In addition, the carrying values are reviewed annually for permanent diminution in value.

9) Deferred taxation

Deferred taxation is provided according to the liability method on all timing differences, including those relating to pensions, to the extent that there is a reasonable probability that a liability will crystallise in the foreseeable future.

10) Pensions

Contributions to pension schemes are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Company in accordance with Statement of Standard Accounting Practice 24.

11) Foreign currencies

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

2. SEGMENTAL REPORTING

All turnover originated in the United Kingdom .

Turnover by destination was as follows:

	1995	1994
	£'000	£'000
United Kingdom	62,570	70,364
Rest of Europe	8,795	7,734
Americas	369	481
Africa/Asia/Australia	2,628	1,429
	74,362	80,008

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:

	1995	1994
Direct labour	501	515
Indirect production	206	240
Selling, marketing and distribution	101	98
Research and development	55	81
Administration	65	75
	928	1,009

The aggregate payroll costs were as follows:

	1995	1994
	£'000	£'000
Wages and salaries	17,006	18,352
Social security costs	1,375	1,605
Other pension costs	1,285	1,717
	19,666	21,674

4. ANALYSIS OF OPERATING PROFIT

	1995	1994
	£'000	£'000
Turnover	74,362	80,008
Cost of sales	(52,319)	(54,564)
Gross profit	22,043	25,444
Other operating expenses		
Research and development	(2,867)	(4,877)
Administrative expenses	(6,487)	(18,862)
Selling, marketing and distribution costs	(4,381)	(5,046)
OPERATING PROFIT/(LOSS)	8,308	(3,341)

Included within the Operating Profit of 1995 is a gain of £2,100,000, which arose from the release of provisions in respect of prior year transactions, which the directors no longer consider to be necessary.

5(a). INTEREST RECEIVABLE

	1995	1994
	£'000	£'000
Interest on bank balances and short term investments	-	17

5(b). INTEREST PAYABLE

	1995	1994
	£'000	£'000
Interest on bank overdrafts and loans repayable within 5 years	3,156	2,161

6. PROFIT ON SALE OF DISCONTINUED OPERATIONS

The gain of £426,000 in 1994 arose from the release of surplus accounting provisions for accumulated pension liabilities relating to the former employees of the transducers business, following actuarial valuation.

7. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit before taxation is stated after charging the following items:

		1995	1994
		£'000	£'000
Depreciation		5,095	8,174
Amortisation of intangible assets		1,848	1,846
Auditors' remuneration	- audit	63	61
	- non-audit	30	19
Operating lease rentals:			
- plant and machinery		-	-
- other assets		157	156
Loss on foreign exchange		210	43

8. DIRECTORS' EMOLUMENTS

The total emoluments of the directors, including pension contributions, amounted to £325,146 (1994: £326,867) of which £125,865 (1994: £120,165) was paid by another Group company.

Emoluments, excluding pension contributions of:	1995	1994
	£	£
Highest paid director	92,964	89,308

The emoluments of all directors, excluding pension contributions, fell within the following bands:

	1995	1994
	Number	Number
£nil to £5,000	1	1
£10,001 to £15,000	-	1
£40,001 to £45,000	1	1
£55,001 to £60,000	-	-
£65,001 to £70,000	-	1
£70,001 to £75,000	1	-
£85,001 to £90,000	-	2
£90,001 to £95,000	2	-

9. TAXATION

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

	1995	1994
	£'000	£'000
Current year		
United Kingdom corporation tax at 33% (1994: 33%)	2,510	869
Deferred tax	359	(906)
	2,869	(37)
Prior years		
United Kingdom corporation tax	294	853
Deferred tax	-	(417)
	3,163	399

10. INTANGIBLE FIXED ASSETS

	Goodwill	Patents	Total
	£'000	£'000	£'000
Cost			
Balance at 1 January 1995 and at 31 December 1995	45,825	902	46,727
Amortisation			
Balance at 1 January 1995	10,227	902	11,129
Charge for the year	1,848	-	1,848
Balance at 31 December 1995	12,075	902	12,977
Net book amount at 31 December 1995	33,750	-	33,750
Net book amount at 31 December 1994	35,598	-	35,598

Goodwill arose from the acquisition of the gas metering division of Thorn EMI (£45,685,000) on 7 June 1989 and the assets of B M Gas Systems (£140,000) on 12 February 1993.

11. TANGIBLE FIXED ASSETS

	Land and buildings	Plant and machinery	Fixtures fittings tools and equipment	Total
	£'000	£'000	£'000	£'000
Cost				
Balance at 1 January 1995	14,174	28,469	19,085	61,728
Additions	-	3,391	792	4,183
Disposals	(7)	(3,119)	(2,710)	(5,836)
Reclassification	(984)	-	984	-
Balance at 31 December 1995	13,183	28,741	18,151	60,075
Depreciation				
Balance at 1 January 1995	3,248	20,800	14,067	38,115
Charge for the year	397	3,131	1,567	5,095
Disposals	(2)	(3,042)	(2,518)	(5,562)
Reclassification	(473)	-	473	-
Balance at 31 December 1995	3,170	20,889	13,589	37,648
Net book amount at 31 December 1995	10,013	7,852	4,562	22,427
Net book amount at 31 December 1994	10,926	7,669	5,018	23,613

11. TANGIBLE FIXED ASSETS (continued)

Land and buildings may be further analysed as follows:

	Freehold land	Freehold buildings	Total
	£'000	£'000	£'000
Cost			
Balance at 1 January 1995	661	13,513	14,174
Additions	-	-	-
Disposals	(5)	(2)	(7)
Reclassification	-	(984)	(984)
Balance at 31 December 1995	656	12,527	13,183
Depreciation			
Balance at 1 January 1995	-	3,248	3,248
Charge for the year	-	397	397
Disposals	-	(2)	(2)
Reclassification	-	(473)	(473)
Balance at 31 December 1995	-	3,170	3,170
Net book amount at 31 December 1995	656	9,357	10,013
Net book amount at 31 December 1994	661	10,265	10,926

12. INVESTMENTS

	£'000
At 1 January 1995	3,160
Additional investment in Maclean & Nuttall Limited	16
Restatement of original investment	120
At 31 December 1995	3,296

The Company owns 100% of the ordinary share capital of its principal subsidiary undertaking, Maclean and Nuttall Limited which undertakes gas service contracting and is registered in England.

13. STOCKS AND WORK IN PROGRESS

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

	1995 £'000	1994 £'000
Raw materials	5,702	4,554
Work in progress	1,898	1,994
Finished goods	2,101	1,538
	9,701	8,086

14. DEBTORS - amounts due within one year

	1995 £'000	1994 £'000
Trade debtors	13,070	13,286
Amounts owed by parent and fellow subsidiary undertakings	35,188	31,475
Amounts owed by subsidiary undertakings	8,039	1,557
Other debtors	601	135
Prepayments and accrued income	234	342
	57,132	46,795

15. CREDITORS - amounts falling due within one year

	1995 £'000	1994 £'000
Bank overdraft	76	308
Trade creditors	5,320	4,504
Amounts owed to parent and fellow subsidiary undertakings	4,551	3,582
Taxation and social security	5,423	3,165
Short term portion of long term debt and accrued interest	488	12,454
Other creditors	382	1,239
Accruals and deferred income	3,897	7,299
	20,137	32,551

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

	1995	1994
	£'000	£'000
Unsecured bank loans, part of a 5 year loan facility from May 1995	50,000	
Unsecured bank loans, bearing interest at a rate of LIBOR plus 3/8% and repayable no later than December 1996	-	27,058
Loan notes at interest rates between 4%and 6.8%	500	750
	50,500	27,808

The £50 million unsecured bank loans at 31 December 1995 include £20 million of discounted bills under a 5 year syndicated loan facility to Schlumberger plc and its subsidiaries of £150 million.

17. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation
	£'000
Balance at 1 January 1995	(990)
Transfer between current and deferred	-
Amount charged to the profit and loss account (Note 9)	359
Balance at 31 December 1995	(631)

The provision and total potential liability for deferred taxation at 31 December 1995 are represented by the following timing differences:

	Provision	1995 Total potential liability	Provision	1994 Total potential liability
	£'000	£'000	£'000	£'000
Accelerated capital allowances	(503)	(503)	122	122
Short term timing differences	(128)	(128)	(1,112)	(1,112)
	(631)	(631)	(990)	(990)

18. CALLED UP SHARE CAPITAL

	1995 £'000	1994 £'000
Authorised ordinary shares of 50p each	3,000	3,000
Allotted and fully paid ordinary shares of 50p each at 31 December	2,718	2,718

19. SHARE PREMIUM

	1995 £'000	1994 £'000
Balance at 31 December	36	36

20. RESERVES

	Profit and loss account £'000
The movements during the year were as follows.	
At 1 January 1995	57,489
Profit retained for the financial year	2,533
At 31 December 1995	60,022

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1995 £'000	1994 £'000
Profit/(Loss) for the financial year being net addition to shareholders' funds	2,533	(5,533)
Opening shareholders' funds	60,243	65,776
Closing shareholders' funds	62,776	60,243

22. PENSION COSTS

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 biennial valuations. Particulars of the most recent actuarial valuation of the scheme at 1st April 1992 are contained in the accounts of Schlumberger plc.

The pension charge for the Company for the year was £1,298,000 (1994: £1,676,000). At 31 December an asset of £541,000 (1994: £329,000 asset) is included in the balance sheet, this being the excess of the amount funded over the accumulated pension cost.

23. LEASING COMMITMENTS

			1995	1994
	Land and buildings	Other leases	Total	Total
	£'000	£'000	£'000	£'000
Operating leases				
Amounts payable in the next year	214	107	321	254
Representing commitments expiring:				
Within one year	-	5	5	23
Between two and five years	79	99	178	15
In more than five years	135	3	138	216
	214	107	321	254

24. CAPITAL COMMITMENTS

Capital expenditure contracted for, and authorised but not contracted for, at 31 December 1995, for which no provisions have been made in these accounts, was as follows:

	1995	1994
	£'000	£'000
Contracted	-	118

No amounts were authorised but not contracted for at 31 December 1995 (1994: Nil).

25. CONTINGENT LIABILITIES

Contingent liabilities not provided for in these accounts are as follows:

	1995	1994
	£'000	£'000
Bank guarantees and VAT / duty deferment guarantees.	170	150

26. CASH FLOW STATEMENT

Schlumberger Industries Limited is a wholly owned subsidiary of Schlumberger plc which produces a consolidated cash flow statement in accordance with Financial Reporting Standard 1 (FRS1). Consequently the Company has taken advantage of the exemption in FRS1 from producing a cash flow statement.

27. ULTIMATE PARENT COMPANY

Schlumberger plc, a company registered in England, 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 for which group accounts are prepared.

Copies of the accounts of Schlumberger plc can be obtained from 1 Kingsway, London WC2B 6XH and Schlumberger Limited from 277 Park Avenue, New York, NY 10172-0266, U.S.A.