SCHLUMBERGER INDUSTRIES LIMITED

DIRECTORS' REPORT AND ACCOUNTS

31st December 1997

Registered number: 534821

A09 *AVGTQAM0* 333
COMPANIES HOUSE 21/10/98

SCHLUMBERGER INDUSTRIES LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 1997

The directors have pleasure in submitting their annual report together with the accounts of the Company for the year ended 31 December 1997.

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.

This was the first full year that Schlumberger Industries Limited reflected activity taken over from Schlumberger Technologies Limited. Activity of £106m was 17% down on the combined 1996 revenue. This comes from the continuing low demand for meters by utility companies.

BUSINESS ACQUIRED

The business and trade of Schlumberger Cards Limited was acquired on 31 December 1997 to create a new division of Schlumberger Industries Limited (note 25).

RESULT AND DIVIDENDS

The loss 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 (1996: zero).

DIRECTORS

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

A Goldby	
B Stoole	
N Brown	Resigned 1 May 1998
A Mahoney	Resigned 30 January 1997
H Mursell	Appointed 1 May 1998
I Coombes	Resigned 1 July 1998
M Mannering	Appointed 1 July 1998

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 £8,244 (1996: £389) 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.

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 39 days purchases outstanding as at 31 December 1997 based on the average daily amount invoiced by suppliers during the year.

EURO POLICY

A Euro Compliance Programme has been established throughout Schlumberger to ensure all business segments meet the euro compliance requirements. A Euro Steering Committee has been established to faciltate and coordinate the programme and to review the progress of implementations in each business segment.

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

In accordance with sections 379A and 386 of the Companies Act 1985, the Company has elected to dispense with the obligation to appoint auditors annually.
Following the merger of Price Waterhouse and Coopers & Lybrand on 1 July 1998, Price Waterhouse resigned in favour of the new firm PricewaterhouseCoopers, who have since been appointed by the directors as auditors to the Company. PricewaterhouseCoopers have indicated their willingness to continue in office.

By order of the Board

N Ray
Secretary

17 September 1998

SCHLUMBERGER INDUSTRIES LIMITED

AUDITORS' REPORT TO THE MEMBERS OF
SCHLUMBERGER INDUSTRIES LIMITED

We have audited the financial statements on pages 5 to 18 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 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors
1 Embankment Place
London
WC2N 6NN

17 September 1998

SCHLUMBERGER INDUSTRIES LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1997

	Note	1997 £'000	1996 £'000
TURNOVER	2	106,459	77,872
Cost of sales		(91,597)	(66,211)
GROSS PROFIT		14,862	11,661
Other operating expenses		(26,592)	(17,254)
OPERATING LOSS	4	(11,730)	(5,593)
Profit on disposal of fixed assets		45	574
LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST		(11,685)	(5,019)
Interest receivable	5a	212	138
Interest payable	5b	(4,323)	(2,643)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	6	(15,796)	(7,524)
TAX ON LOSS ON ORDINARY ACTIVITIES	8	5,155	518
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED LOSS FOR THE YEAR	19	(10,641)	(7,006)

The notes on pages 7 to 18 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 1997

	Note	1997 £'000	1996 £'000
FIXED ASSETS			
Intangible assets	9	38,373	38,403
Tangible assets	10	32,261	28,846
Investments	11	1	3,296
		70,635	70,545
CURRENT ASSETS			
Stocks	12	15,109	19,317
Debtors	13	72,838	45,091
Cash and short term investments		6,072	6,330
		94,019	70,738
CREDITORS: Amounts falling due within one year	14	(74,444)	(40,513)
NET CURRENT ASSETS		19,575	30,225
TOTAL ASSETS LESS CURRENT LIABILITIES		90,210	100,770
CREDITORS: Amounts falling due after more than one year	15	(45,081)	(45,000)
NET ASSETS		45,129	55,770
CAPITAL AND RESERVES			
Called up share capital	17	2,718	2,718
Share premium account	18	36	36
Profit and loss account	19	42,375	53,016
Equity Shareholder's Funds	20	45,129	55,770

The notes on pages 7 to 18 form part of these accounts.

Approved by the directors on 17 September 1998

H Mursell
Director

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1997

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 undertaking 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.

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1997 (continued)

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 1997, relates to the acquisitions of the gas metering division of Thorn EMI (Flow Measurement and Metflex), BM Gas Systems and the businesses of Dunclare Dispensers (UK) Ltd and Schlumberger Cards Ltd, transferred from fellow subsidaries, and is being amortised through the profit and loss account over 20 - 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.

12) Related Party Disclosures

Transactions with other companies within the Group are not disclosed as the Company has taken advantage of the exemption available under Financial Reporting Standard 8 (FRS 8) "Related Party Disclosures" paragraph 3(c).

13) Cash flow statement

The Group has taken advantage of the exemptions available to wholly owned UK subsidiaries under Financial Reporting Standard No. 1 (Revised 1996) "Cash Flow Statements" and accordingly has not prepared a cash flow statement.

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1997 (continued)

2. SEGMENTAL REPORTING

All turnover originated in the United Kingdom .

Turnover by destination was as follows:

	1997	1996
	£'000	£'000
United Kingdom	52,689	52,796
Rest of Europe	43,817	18,860
Americas	3,568	427
Africa/Asia/Australia	6,385	5,789
	106,459	77,872

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:

	1997	1996
Direct labour	649	571
Indirect production	201	185
Selling, marketing and distribution	100	100
Research and development	149	59
Administration	105	68
	1,204	983

The aggregate payroll costs were as follows:

	1997	1996
	£'000	£'000
Wages and salaries	22,817	18,307
Social security costs	1,962	1,450
Other pension costs	1,314	1,341
	26,093	21,098

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1997 (continued)

4. ANALYSIS OF OPERATING LOSS

	1997 £'000	1996 £'000
Turnover	106,459	77,872
Cost of sales	(91,597)	(66,211)
Gross profit	14,862	11,661
Other operating expenses		
Research and development	(6,829)	(3,153)
Administrative expenses	(11,124)	(9,024)
Selling, marketing and distribution costs	(8,639)	(5,077)
OPERATING LOSS	(11,730)	(5,593)

5(a). INTEREST RECEIVABLE

	1997 £'000	1996 £'000
Interest on bank balances and short term investments	212	138

5(b). INTEREST PAYABLE

	1997 £'000	1996 £'000
Interest on bank overdrafts and loans repayable within 5 years	4,323	2,643

6. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit before taxation is stated after charging/(crediting) the following items:

		1997 £'000	1996 £'000
Depreciation		5,554	5,491
Amortisation of intangible assets		2,219	1,848
Auditors' remuneration	- audit	69	51
	- non-audit	2	10
Operating lease rentals:			
- plant and machinery		43	-
- other assets		508	168
Loss/(gain) on foreign exchange		36	(101)

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1997 (continued)

7. DIRECTORS' EMOLUMENTS

The total emoluments of the directors, excluding pension contributions, amounted to £92,380 (1996: £228,808).

The directors are members of the UK Pension scheme, which includes a defined benefit and a defined contribution scheme

The total pension contributions of the directors amounted to £10,878 (1996: £19,579)

8. TAXATION

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

	1997	1996
	£'000	£'000
Current year		
United Kingdom corporation tax at 31.5% (1996: 33%)	(2,796)	(1,343)
Deferred tax	(2,359)	631
	(5,155)	(712)
Prior years		
United Kingdom corporation tax	-	276
Deferred tax	-	(82)
	(5,155)	(518)

9. INTANGIBLE FIXED ASSETS

	Goodwill	Patents	Total
	£'000	£'000	£'000
Cost			
Balance at 1 January 1997	54,493	902	55,395
Purchase from fellow subsidary undertaking (Note 25)	2,189	-	2,189
Balance at 31 December 1997	56,682	902	57,584
Amortisation			
Balance at 1 January 1997	16,090	902	16,992
Charge for the year	2,219	-	2,219
Balance at 31 December 1997	18,309	902	19,211
Net book amount at 31 December 1997	38,373	-	38,373
Net book amount at 31 December 1996	38,403	-	38,403

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 and the acquisition of the business of Dunclare Dispensers (UK) Limited by fellow subsidiary undertaking Schlumberger Technologies Limited on 1 October 1990 and subsequently transferred to the Company on 31 December 1996.

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1997 (continued)

10. TANGIBLE FIXED ASSETS

	Land and buildings	Plant and machinery	Fixtures fittings tools and equipment	Total
	£'000	£'000	£'000	£'000
Cost				
Balance at 1 January 1997	20,974	32,954	19,617	73,545
Purchased from fellow subsidiary undertaking	2,042	2,208	124	4,374
Additions	334	3,015	1,408	4,757
Disposals	-	(1,169)	(672)	(1,841)
Reclassification	(6)	2	4	-
Balance at 31 December 1997	23,344	37,010	20,481	80,835
Depreciation				
Balance at 1 January 1997	4,668	25,569	14,462	44,699
Charge for the year	654	3,308	1,592	5,554
Disposals	-	(1,163)	(516)	(1,679)
Reclassification	(5)	2	3	-
Balance at 31 December 1997	5,317	27,716	15,541	48,574
Net book amount at 31 December 1997	18,027	9,294	4,940	32,261
Net book amount at 31 December 1996	16,306	7,385	5,155	28,846

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1997 (continued)

10. TANGIBLE FIXED ASSETS (continued)

Land and buildings may be further analysed as follows:

	Freehold land	Freehold buildings	Leasehold (short)	Total
	£'000	£'000	£'000	£'000
Cost				
Balance at 1 January 1997	1,343	19,631	-	20,974
Purchased from fellow subsidiary undertaking	-	-	2,042	2,042
Additions	-	334	-	334
Disposals	-	-	-	-
Reclassification	-	(6)	-	(6)
Balance at 31 December 1997	1,343	19,959	2,042	23,344
Depreciation				
Balance at 1 January 1997	-	4,668	-	4,668
Charge for the year	-	654	-	654
Disposals	-	-	-	-
Reclassification	-	(5)	-	(5)
Balance at 31 December 1997	-	5,317	-	5,317
Net book amount at 31 December 1997	1,343	14,642	2,042	18,027
Net book amount at 31 December 1996	1,343	14,963	-	16,306

11. INVESTMENTS

	£'000
Balance at 1 January 1997	3,296
Maclean & Nuttall transferred to Schlumberger PLC	(3,295)
Balance at 31 December 1997	1

The Company owns 100% of the ordinary share capital of its subsidiary undertaking, Langtone Limited, which is dormant.

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1997 (continued)

12. STOCKS AND WORK IN PROGRESS

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

	1997 £'000	1996 £'000
Raw materials	9,073	13,181
Work in progress	2,392	2,758
Finished goods	3,644	3,378
	15,109	19,317

13. DEBTORS - amounts due within one year

	1997 £'000	1996 £'000
Trade debtors	12,046	13,534
Amounts owed by parent and fellow subsidiary undertakings	35,368	20,266
Amounts owed by subsidiary undertakings	19,693	8,210
Deferred taxation (Note 16)	2,456	82
Taxation and social security	1,187	-
Other debtors	1,167	2,142
Prepayments and accrued income	921	857
	72,838	45,091

Included within deferred taxation above is an asset of £1,568,000 which relates to amounts falling due in more than one year.

14. CREDITORS - amounts falling due within one year

	1997 £'000	1996 £'000
Bank overdraft	9,757	-
Trade creditors	9,742	7,478
Amounts owed to parent and fellow subsidiary undertakings	48,144	24,687
Taxation and social security	-	1,533
Short term portion of long term debt and accrued interest	1,404	626
Other creditors	(6)	273
Accruals and deferred income	5,403	5,916
	74,444	40,513

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1997 (continued)

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

	1997	1996
	£'000	£'000
Unsecured bank loans, part of a 5 year loan facility from May 1996	45,000	45,000
Other long term creditors	81	-
	45,081	45,000

The £45 million unsecured bank loans at 31 December 1997 include £30 million of discounted bills and are under a 5 year syndicated loan facility to Schlumberger plc and its subsidiaries of £150 million.

16. DEFERRED TAXATION

	Deferred taxation
	£'000
Balance at 1 January 1997	(82)
Transfer between current and deferred	(15)
Amount charged to the profit and loss account (Note 8)	(2,359)
Balance at 31 December 1997	(2,456)

At 31 December 1997 deferred taxation balances are represented by the following timing differences:

	1997		1996	
	Asset	Total potential asset	Asset	Total potential asset
	£'000	£'000	£'000	£'000
Accelerated capital allowances	(2,351)	(3,135)	-	2,413
Short term timing differences	(105)	(105)	(82)	(1,547)
	(2,456)	(3,240)	(82)	866

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1997 (continued)

17. CALLED UP SHARE CAPITAL

	1997 £'000	1996 £'000
Authorised ordinary shares of 50p each (Number of shares 6,000,000)	3,000	3,000
Allotted and fully paid ordinary shares of 50p each at 31 December (Number of shares 5,436,000)	2,718	2,718

18. SHARE PREMIUM

	1997 £'000	1996 £'000
Balance at 31 December	36	36

19. RESERVES

	Profit and loss account £'000
The movements during the year were as follows.	
At 1 January 1997	53,016
Loss retained for the financial year	(10,641)
At 31 December 1997	42,375

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 £'000	1996 £'000
Loss for the financial year being net reduction to shareholders' funds	(10,641)	(7,006)
Opening shareholders' funds	55,770	62,776
Closing shareholders' funds	45,129	55,770

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1997 (continued)

21. 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 1995 are contained in the accounts of Schlumberger plc.

The pension charge for the Company for the year was £1,271,000 (1996: £1,341,000). At 31 December an asset of £718,000 (1996: £803,000 asset) is included in the balance sheet, this being the excess of the amount funded over the accumulated pension cost.

22. LEASING COMMITMENTS

	Land and buildings	Other leases	1997 Total	1996 Total
	£'000	£'000	£'000	£'000
Operating leases				
Amounts payable in the next year	26	567	593	741
Representing commitments expiring:				
Within one year	26	110	136	39
Between two and five years	-	457	457	492
In more than five years	-	-	-	210
	26	567	593	741

23. CAPITAL COMMITMENTS

Capital expenditure contracted for, at 31 December 1997, for which no provisions have been made in these accounts, was as follows:

	1997	1996
	£'000	£'000
Contracted	433	-

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1997 (continued)

24. CONTINGENT LIABILITIES

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

	1997	1996
	£'000	£'000
Bank and VAT / duty deferment guarantees.	773	698

25. BUSINESS ACQUIRED.

Net assets acquired on the acquisition of the business and trade of Schlumberger Cards Limited.

	Schlumberger Cards Limited. Book/Fair Value £'000
Intangible fixed assets	2,189
Tangible fixed assets	4,374
Stock	259
Debtors	1,254
Creditors	(7,737)
	339
Satisfied by cash	339

No fair value adjustment were made to the book amounts of assets and liabilities acquired as in the opinion of the directors none was necessary.
The loss before taxation of Schlumberger Cards Limited for the financial year ended 31 December 1997 was £1.9m (1996 : £0.9m)

26. 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.