Schlumberger Industries Limited

(Registered Number: 534821)

Directors' Report And Accounts

Year Ended 31 December 2001



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Schlumberger Industries Limited

Report Of The Directors
For The Year Ended 31 December 2001

The directors have pleasure in submitting their annual report together with the accounts of the Company for the year ended 31 December 2001.

Review Of The Business

Several restructuring events during the year have significantly changed the operating structure of the Company. Most notably, in November 2001, the Company sold the operating assets and liabilities of its four RMS divisions as part of a worldwide Schlumberger RMS disposal. Further, the Company made the decision to relocate its smart card division in Felixstowe to the facilities of subsidiary SchlumbergerSema Cards Limited (formerly known as Bull Card Systems Limited) in Fareham.

Revenue from operations totalled £105.9 million in 2001 as against £91.8 million in 2000. The increase was driven by strong growth in the turnover of the Network Solutions division (£10.1 million increase) and steady improvement in the Cards and E-city divisions (£4.5 million and £2.2 million increase respectively). This growth was partially offset by a slow down in the revenue of the Resource Management Services (RMS) divisions (£3.6 million decrease in revenue on last year) prior to their disposal. The operating profit for the year was £0.1 million as against a loss of £4.4 million in 2000. Despite growing sales in the smart cards division, profitability was seriously impacted by the decline of the GSM (global system for mobile telecommunications) market.

Business levels at Schlumberger Automatic Test Equipment (ATE) - now called Semiconductor Solutions – were disappointing in 2001, largely reflecting conditions in the telecommunications industry as a whole. On the other hand, research and development activity at ATE's Ferndown Production Development Centre remained strong even though the Centre was able to reduce resources by 17 per cent as part of a wider efficiency programme. The Centre, which undertakes development projects on behalf of e-payment terminals and systems, semiconductor systems, mobile communications and public telecommunications business units, has been assessed at Level 3 of the Software Engineering Institute's Capability Maturity Model, a level achieved by less than one fifth of software organisations.

Schlumberger Industries' E-City parking solutions business saw strong growth in 2001, with revenues of £7.9 million as against £5.7 million in 2000. During 2001 E-City won significant new business from National Car Parks (NCP) and introduced into the UK its new Flexio car parking system. In Southampton E-City is among those spearheading the introduction of an advanced Smart Card transport scheme. The scheme – the first of its kind in Europe – is being supported by the European Commission, which is committing £2.7 million of funding to the project from the highly competitive EU 'Fifth Framework Programme'. The scheme will use microchip technology to enable citizens to pay for a range of services including parking, bus transportation and a range of leisure facilities.

In November 2001 Schlumberger announced the metering interests of RMS had been sold to a new company, Actaris. The disposal, which affected all of RMS's UK operations, was in line with Schlumberger's aim of focusing on core business interests. Overall, the Company made a small loss on disposal of these operations (£1 million).

Schlumberger Network Solutions (SNS), established at the end of 1999, generated some £13 million of revenue in 2001 (£2.9 million in 2000). The division, which has been concentrating on two major sectors - network solutions and information security - has seen a broadening of

Schlumberger Industries Limited

For The Year Ended 31 December 2001 (Continued)

Review Of The Business (Continued)

opportunities, especially in the Government and utilities sectors, arising from Schlumberger's acquisition of Sema.

Subsequent to the year end, further rationalisation activities have been implemented. In February 2002, the Company sold the assets and liabilities of its Felixstowe smart cards division to subsidiary SchlumbergerSema Cards Limited at market value. This transaction generated a gain on disposal for the Company of £24 million restoring the net asset position of the Company to positive net assets in the first quarter of 2002.

The Company further rationalised non core activities in July 2002 disposing of its energy monitoring subsidiary, Energy Auditing Agency Limited to a management buy out.

Principal Activities

The company's principal activities during the year were the manufacture of meters and systems for measuring and management of electricity, gas and water consumption, automatic meter reading and billing systems, the manufacture of smart cards and provider of smart-card based solutions, the supply of equipment and services in respect of point of sale terminals, parking systems and ticket vending machines and the provision of network solutions including global network Internet protocol services.

Results 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 (2000: nil).

Directors

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

J Coghlan	Resigned 1 August 2001
A Goldby	
M Mannering	
J Neath	Appointed 1 August 2001
D O'Leary	Resigned 2 January 2001
A Plumpton	Resigned 1 August 2001
N Ray	Appointed 1 August 2001
C Saunders	Appointed 6 March 2001, resigned 11 July 2002
M Younger	

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 (2000: nil). Charitable donations amounting £1,445 (2000: £1,449) were made during the year.

Report Of The Directors For The Year Ended 31 December 2001 (Continued)

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 7 days purchases outstanding as at 31 December 2001 based on the average daily amount invoiced by suppliers during the year (2000: 26 days).

Employee Participation

Employees are regularly provided with information on matters of concern to them as employees. They are further encouraged to be involved in the Group'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

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2001 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Schlumberger Industries Limited

Report Of The Directors
For The Year Ended 31 December 2001 (Continued)

Auditors

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution concerning their reappointment as auditors of the Company will be proposed at the Annual General Meeting.

By order of the Board

N Ray
Secretary

30 July 2002

Auditors' Report To The Members Of Schlumberger Industries Limited

We have audited the financial statements on pages 6 to 24.

Respective Responsibilities Of Directors And Auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board.

We report to your opinion as to whether the financial statements give a true and fair and are properly prepared in accordance with the United Kingdom Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 polices 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 31 December 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London

30 July 2002

Schlumberger Industries Limited

Profit And Loss Account
For The Year Ended 31 December 2001

	Note	2001 £'000	2000 £'000 * restated
Turnover			
Continuing operations		**28,359**	15,171
Discontinued operations		**77,597**	76,602
	2	**105,956**	91,773
Cost of sales		**(82,287)**	(65,323)
Gross profit		**23,669**	26,450
Other operating expenses	*4*	**(23,535)**	(30,868)
Operating profit/(loss)			
Continuing operations	*4*	**(4,011)**	(6,482)
Discontinued operations		**4,145**	2,064
	4	**134**	(4,418)
Profit on disposal of fixed assets		**12**	249
Impairment loss on disposal of fixed assets		**(6,675)**	(20,000)
Loss on disposal of discontinued operations	*21*	**(1,022)**	-
Restructuring and redundancy provision		**(1,848)**	-
Loss on ordinary activities before interest		**(9,399)**	(24,169)
Interest receivable	*5a*	**377**	58
Interest payable	*5b*	**(5,128)**	(3,476)
Loss on ordinary activities before taxation	*6*	**(14,150)**	(27,587)
Tax credit on ordinary activities	*8*	**4,397**	3,502
Loss on ordinary activities after taxation and retained loss for the year	*20*	**(9,753)**	(24,085)

The notes on pages 8 to 24 form part of these accounts.

The Company has recognised no gains or losses other than those shown in the above profit and loss account. The gain arising from the adoption of FRS 19 'Deferred Tax' and subsequent restatement of prior period is detailed in Note 1b).

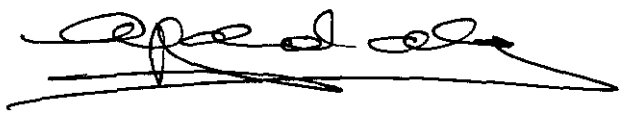
* See Note 1b) to the Financial Statements, Accounting policies – Restatement of Prior Period.

Schlumberger Industries Limited

Balance Sheet
As At 31 December 2001

	Note	2001 £'000	2000 £'000 * restated
Fixed assets			
Intangible assets	9	**1,731**	6,363
Tangible assets	10	**8,630**	23,838
Investments	11	**64,679**	55,851
		75,040	86,052
Current assets			
Stocks	12	**3,150**	9,902
Debtors	13	**31,243**	36,728
Cash and short term investments		**-**	10,184
		34,393	56,814
Creditors: Amounts falling due within one year	14	**(47,896)**	(30,576)
Net current (Liabilities)/assets		**(13,503)**	26,238
Total assets less current liabilities		**61,537**	112,290
Creditors: Amounts falling due after more than one year	15	**(64,000)**	(105,000)
Net (liabilities)/assets		**(2,463)**	7,290
Capital and reserves			
Called up share capital	17	**27,718**	27,718
Share premium account	18	**36**	36
Other reserves	19	**4,604**	4,604
Profit and loss account – (deficit)	19	**(34,821)**	(25,068)
Equity Shareholders' Funds	20	**(2,463)**	7,290

Approved by the directors on 30 July 2002.



A Goldby
Director

The notes on pages 8 to 24 form part of these accounts.

* See Note 1b) to the Financial Statements, Accounting policies – Restatement of Prior Period.

Schlumberger Industries Limited

Notes To The Accounts At 31 December 2001

1 Accounting Policies

a) Accounting Policies

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

b) Basis Of Accounts

The Company is exempt from preparing and delivering group accounts under section 228 of the Companies Act 1985.

Restatement of prior period

In December 2000, the Accounting Standards Board (ASB) published Financial Reporting Standard 19 'Deferred Tax'.

The Company has adopted FRS 19 for the year ended 31 December 2001.

As a result, comparative figures for the company for the year ended 31 December 2000 have been adjusted as follows:

	Opening Shareholders' Funds £'000	Loss for Financial Year £'000	Closing Shareholders' Funds £'000	Debtors £'000
As previously reported	29,039	(22,499)	6,540	35,978
Effect of change in accounting policy	2,336	(1,586)	750	750
As restated	31,375	(24,085)	7,290	36,728

Current year loss after tax is reduced by £1,975,000 as a consequence of the change in accounting policy.

c) Turnover

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

d) Research And Development

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

Schlumberger Industries Limited

Notes To The Accounts At 31 December 2001 (Continued)

1 Accounting Policies (Continued)

e) 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.

All other leases are classified as operating leases. Rentals payable under operating leases are accounted for on the straight line basis over the periods of the leases and are included in 'expenses'.

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.

f) 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.

g) 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.

Investments in subsidiary undertakings are valued at cost, less any provisions for impairment.

h) 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 2001, relates to the acquisitions of the business of Schlumberger Cards Limited.

The goodwill is being amortised through the profit and loss account over 20 years.

Notes To The Accounts At 31 December 2001 (Continued)

1 Accounting Policies (Continued)

i) Impairment Review

The carrying values of tangible fixed assets and goodwill are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. Any impairment in the value of fixed assets and goodwill below depreciated historical cost is charged to the profit and loss account.

j) Deferred Taxation

FRS 19 'Deferred tax' has been implemented during the year ended 31 December 2001. Comparative figures have been restated accordingly. In accordance with FRS 19, a full provision for deferred tax is recognised on all timing differences that have originated but not reversed by the balance sheet date. Previously the provision for deferred tax was accounted for on the partial provisioning basis required by Statement of Standard Accounting Practice 15. The effect of this change in accounting policy on the results and net assets of the Company is detailed in Note 1b.

k) Pensions

The charge against profits is the amount of defined contributions payable to the pension scheme in respect of the accounting period.

The Schlumberger plc group scheme is run on a basis that does not enable individual companies within the group to identify their share of the underlying net assets and liabilities. As permitted by FRS 17, the Company accounts for the scheme as a defined contribution scheme.

l) 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.

m) 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).

n) 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.

2 Segmental Reporting

All turnover originated in the United Kingdom.

Turnover by destination was as follows:

	2001 £'000	2000 £'000
United Kingdom	**80,804**	58,343
Rest of Europe	**15,069**	17,869
Americas	**5,929**	4,423
Africa/Asia/Australia	**4,154**	11,138
	105,956	91,773

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

	2001 £'000	2000 £'000
Turnover		
Continuing operations	**28,359**	15,171
Discontinued operations	**77,597**	76,602
	105,956	91,773
Loss on ordinary activities before taxation		
Continuing operations	**(4,011)**	(6,403)
Discontinued operations	**(5,388)**	(17,766)
Net interest	**(4,751)**	(3,418)
	(14,150)	(27,587)

Notes To The Accounts At 31 December 2001 (Continued)

3 Staff Numbers And Costs

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

	2001 Number	2000 Number
Direct labour	**454**	488
Indirect production	**179**	151
Selling, marketing and distribution	**112**	123
Research and development	**115**	119
Administration	**85**	87
	945	968

The aggregate payroll costs were as follows:

	2001 £'000	2000 £'000
Wages and salaries	**23,137**	21,915
Social security costs	**1,981**	1,906
Other pension costs	**1,633**	1,320
	26,751	25,141

4 Analysis Of Operating Loss

	2001			2000
	Continuing Operations £'000	Discontinued Operations £'000	Total £'000	Total £'000
Turnover	28,359	77,597	**105,956**	91,773
Cost of sales	(21,859)	(60,428)	**(82,287)**	(65,323)
Gross profit	6,500	17,169	**23,669**	26,450
Other operating expenses				
Research and development	(1,829)	(2,335)	**(4,164)**	(4,091)
Write down of investment (Maclean & Nuttall)	-	-	**-**	(4,788)
Write down of investment (Energy Auditing Agency)	(1,643)	-	**(1,643)**	-
Other administrative expenses	(4,630)	(7,061)	**(11,691)**	(16,028)
Total administrative expenses	(8,102)	(9,396)	**(17,498)**	(24,907)
Selling, marketing and distribution costs	(2,409)	(3,628)	**(6,037)**	(5,961)
	(10,511)	(13,024)	**(23,535)**	(30,868)
Operating profit/(loss)	(4,011)	4,145	**134**	(4,418)

Notes To The Accounts At 31 December 2001 (Continued)

5 (a) Interest Receivable

	2001 £'000	2000 £'000
Interest on bank balances and short term investments	**341**	28
Other interest	**36**	30
	377	58

5 (b) Interest Payable

	2001 £'000	2000 £'000
Interest on bank overdrafts and loans repayable within 5 years	**4,006**	3,202
Interest on Loan Notes	**1,122**	274
	5,128	3,476

6 Loss On Ordinary Activities Before Taxation

Loss before taxation is stated after charging the following items:

		2001 £'000	2000 £'000
Staff costs (see Note 3)		**26,751**	25,141
Depreciation	- Owned assets	**3,760**	4,067
	- Assets on finance lease	**24**	31
Impairment loss on disposal of fixed assets (see Note 10)		**6,675**	-
Amortisation of Goodwill		**383**	1,942
Impairment of Goodwill		**-**	20,000
Auditors' remuneration	- Audit	**73**	62
	- Non-audit	**42**	-
Operating lease rentals:	- Plant and machinery	**105**	-
	- Other assets	**687**	625
(Profit)/loss on foreign exchange		**(53)**	228

7 Directors' Emoluments

Of the eight directors in office during the period, four were remunerated by the company in their capacity as directors.

The total emoluments of the directors, excluding pension contributions, amounted to £238,848 (2000: £148,311). The emoluments of the highest paid director, excluding pension contributions, amounted to £80,750 (2000: £106,067).

Of the four directors remunerated by the Company in 2001, three 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 £21,139 (2000: £11,104). The pension contributions of the highest paid director amounted to £10,533 (2000: £6,993).

8 Taxation

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

	2001 £'000	2000 £'000 * restated
Current year		
United Kingdom corporation tax at 30% (2000: 30%)	**281**	(3,066)
Prior year adjustments	**(503)**	(2,891)
	(222)	(5,957)
Deferred tax		
Current year	**(3,521)**	2,455
Prior year adjustments	**(654)**	-
	(4,397)	(3,502)

The current year tax assessed for the year is 2% (2000: 22%), 28% different than the standard rate of corporation tax in the UK of 30% (2000-30%). The differences are explained below:

	2001 £'000	2000 £'000
Loss on ordinary activities before tax	**(14,150)**	(27,587)
Tax credit on loss before tax at standard rate of 30% (2000-30%)	**4,245**	8,276
Expenses not deductible for taxation purposes	**(80)**	(237)
Losses not paid for	**-**	2,616
Goodwill	**(115)**	(473)
Capital items	**(810)**	(7,696)
Short term timing differences	**(3,521)**	2,455
Prior Period adjustment	**503**	1,016
	222	5,957

* See Note 1b) to the Financial Statements, Accounting policies – Restatement of Prior Period.

Notes To The Accounts At 31 December 2001 (Continued)

9 Intangible Fixed Assets

	Goodwill £'000	Patents £'000	Total £'000
Cost			
Balance at 1 January 2001	48,014	902	48,916
Disposal of RMS businesses	(45,825)	-	(45,825)
Balance at 31 December 2001	**2,189**	**902**	**3,091**
Amortisation			
Balance at 1 January 2001	41,651	902	42,553
Charge for the year	383	-	383
Disposal of RMS businesses	(41,576)	-	(41,576)
Balance at 31 December 2001	**458**	**902**	**1,360**
Net book amount at 31 December 2001	**1,731**	**-**	**1,731**
Net book amount at 31 December 2000	6,363	-	6,363

Remaining goodwill relates to the transfer of trade from Schlumberger Cards Limited (£2,189,121) on 1 February 1997.

Notes To The Accounts At 31 December 2001 (Continued)

10 Tangible Fixed Assets

	Land and buildings £'000	Plant and machinery £'000	Fixtures fittings tools and equipment £'000	Total £'000
Cost				
Balance at 1 January 2001	21,058	34,069	18,940	74,067
Additions	110	2,136	595	2,841
Disposal of RMS businesses	(5,092)	(27,907)	(12,774)	(45,773)
Disposals	-	(264)	(7)	(271)
Reclassification	(25)	95	(70)	-
Balance at 31 December 2001	**16,051**	**8,129**	**6,684**	**30,864**
Depreciation				
Balance at 1 January 2001	6,955	28,059	15,215	50,229
Charge for the year	633	2,024	1,127	3,784
Impairment*	5,931	744	-	6,675
Disposal of RMS businesses	(1,623)	(25,578)	(11,089)	(38,290)
Disposals	-	(157)	(7)	(164)
Reclassification	(19)	95	(76)	-
Balance at 31 December 2001	**11,877**	**5,187**	**5,170**	**22,234**
Net book amount at 31 December 2001	**4,174**	**2,942**	**1,514**	**8,630**
Net book amount at 31 December 2000	14,103	6,010	3,725	23,838

* The impairment charges for the year of £5,931,000 represent write downs of the value of freehold buildings and leasehold improvements at the Felixstowe facility following the disposal of the RMS divisions and the agreed transfer in 2002 of the Cards business to the SchlumbergerSema Cards facility at Fareham. The impairment of £744,000 is a further write down of redundant assets in Felixstowe in connection with the transfer of the cards operations to Fareham.

Notes To The Accounts At 31 December 2001 (Continued)

10 Tangible Fixed Assets (Continued)

Land and buildings may be further analysed as follows:

	Freehold land £'000	Freehold buildings £'000	Leasehold (short) £'000	Total £'000
Cost				
Balance at 1 January 2001	1,243	16,288	3,527	21,058
Additions	-	22	88	110
Disposal of RMS businesses	(340)	(4,752)	-	(5,092)
Reclassification	-	(25)	-	(25)
Balance at 31 December 2001	**903**	**11,533**	**3,615**	**16,051**
Depreciation				
Balance at 1 January 2001	-	6,510	445	6,955
Charge for the year	-	445	188	633
Impairment*	-	3,640	2,291	5,931
Disposal of RMS businesses	-	(1,623)	-	(1,623)
Reclassification	-	(19)	-	(19)
Balance at 31 December 2001	**-**	**8,953**	**2,924**	**11,877**
Net book amount at 31 December 2001	**903**	**2,580**	**691**	**4,174**
Net book amount at 31 December 2000	1,243	9,778	3,082	14,103

* The impairment charges for the year of £5,931,000 represent write downs of the value of freehold buildings and leasehold improvements at the Felixstowe facility following the disposal of the RMS divisions and the agreed transfer of the Cards business to the SchlumbergerSema Cards facility at Fareham.

Notes To The Accounts At 31 December 2001 (Continued)

11 Investments

	£'000
Balance at 1 January 2001	55,851
Decrease of investment in Data Marine Systems Limited	(225)
Net write down of investment in Energy Auditing Agency Limited	(1,525)
Acquisition of SchlumbergerSema Cards Limited	10,578
Balance at 31 December 2001	64,679

During the year, the Company redeemed preference shares held in its subsidiary Data Marine Systems Limited.

In December 2001, the Company acquired SchlumbergerSema Cards Limited in Fareham from a fellow Schlumberger Group Company. In February 2002, the investment in subsidiary SchlumbergerSema Cards Limited increased by a further £24,344,227 in consideration for the assets and liabilities of the company's smart card division. 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.

In July 2002, the Company disposed of its subsidiary Energy Auditing Agency Limited to a management buy out. The Directors' have written down the investment in subsidiary to reflect the anticipated sale proceeds.

On 31 December 2001, the Company owned all of the share capital of the following:

	Country of incorporation	Nature of business
Data Marine Systems Limited	England	Telecom and Network Systems Provider
Energy Auditing Agency Limited	England	Utility Management
SchlumbergerSema Cards Limited	England	Smart Card Manufacturer
Langtone Limited	England	Dormant
Sangamo Weston Limited	England	Dormant
Schlumberger Technologies Limited	England	Dormant
Schlumberger Cards Limited	England	Dormant

12 Stocks And Work In Progress

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

	2001 £'000	2000 £'000
Raw materials	**1,049**	4,291
Work in progress	**674**	1,885
Finished goods	**1,427**	3,726
	3,150	9,902

Notes To The Accounts At 31 December 2001 (Continued)

13 Debtors – Amounts Due Within One Year

	2001 £'000	2000 £'000 * restated
Trade debtors	**7,469**	14,593
Amounts owed by parent	**15**	70
Amounts owed by subsidiaries and fellow subsidiary undertakings	**10,555**	5,275
Amounts owed by other Schlumberger companies	**3,401**	9,817
Deferred taxation (Note 16)	**6,718**	2,543
Taxation and social security	**-**	1,179
Other debtors	**2,914**	2,072
Prepayments and accrued income	**171**	1,179
	31,243	36,728

Included within deferred taxation above is an asset of £3,183,830 (2000: £1,613,008) which relates to amounts falling due in more than one year.

* See Note 1b) to the Financial Statements, Accounting policies – Restatement of Prior Period.

14 Creditors – Amounts Falling Due Within One Year

	2001 £'000	2000 £'000
Bank overdrafts	**3,142**	1,186
Trade creditors	**1,575**	4,586
Amounts owed to parent undertaking	**3,514**	5,546
Amounts owed to subsidiaries and fellow subsidiary undertakings	**604**	379
Amounts owed to other Schlumberger companies	**4,858**	9,380
Taxation and social security	**525**	-
Obligations under finance leases (Note 23)	**-**	25
Other creditors	**1,743**	1,804
Loan Notes at LIBOR less 0.05%	**22,000**	-
Accruals and deferred income	**9,935**	7,670
	47,896	30,576

£22 million loan notes were issued in October 2000 to finance the acquisition of Data Marine Systems Limited. This balance comprises a £12 million guaranteed unencumbered loan note and a £10 million guaranteed encumbered loan note, repayable in October 2003 (see Note 26). Both had call options for early repayment and were subsequently settled in April 2002.

Notes To The Accounts At 31 December 2001 (Continued)

15 Creditors – Amounts Falling Due After More Than One Year

	2001 £'000	2000 £'000
Unsecured bank loans, part of a 5 year credit facility from May 2000	**14,000**	83,000
Loan Notes at LIBOR less 0.05%	**-**	22,000
Long term from parent company, Schlumberger plc	**50,000**	-
	64,000	105,000

The 5 year facility is a £200 million revolving credit, swingline and uncommitted facility with a syndicate of financial institutions, arranged by the parent undertaking. The loans of £14,000,000 fell due on 2 January 2002 (£6,000,000) and 7 January (£8,000,000) but were subsequently rolled over.

The Company entered into a £200 million long term, interest bearing, loan agreement with immediate parent undertaking, Schlumberger plc, effective 28 December 2001. At the balance sheet date, £50 million had been drawn on this facility. Interest will be charged quarterly at 7.25% per annum, the rate being comparable to the 7 year Eurobond interest rate of Schlumberger plc.

16 Deferred Taxation

	£'000 * restated
Balance at 1 January 2001 as previously reported	1,793
Prior period adjustment*	750
As restated	2,543
Amount credited to the profit and loss account (Note 8)	4,175
Balance at 31 December 2001	6,718

At 31 December 2001 deferred taxation balances are represented by the following timing differences.

	2001		2000	
	Recognised Asset £'000	Total potential asset £'000	Recognised asset £'000	Total potential asset £'000
Accelerated capital allowances	**4,712**	**4,712**	1,840	1,840
Short term timing differences	**2,006**	**2,006**	703	703
	6,718	**6,718**	2,543	2,543

The Directors are satisfied that future taxable profits support recognition of the deferred tax asset associated with timing differences.

* See Note 1b) to the Financial Statements, Accounting policies – Restatement of Prior Period.

Schlumberger Industries Limited

Notes To The Accounts At 31 December 2001 (Continued)

17 Called Up Share Capital

	2001 £'000	2000 £'000
Authorised ordinary shares of 50p each (Number of shares 100,000,000)	**50,000**	50,000
Allotted and fully paid ordinary shares of 50p each at 31 December (Number of shares 55,436,508)	**27,718**	27,718

18 Share Premium

	2001 £'000	2000 £'000
Balance at 31 December 2001	**36**	36

19 Reserves

	Profit and loss account £'000	Other reserves £'000
As at 1 January as previously reported	**(25,818)**	4,604
Prior year adjustment to loss for the year*	**(1,586)**	-
Prior year adjustment to retained earnings brought forward*	**2,336**	-
As restated	**(25,068)**	4,604
Retained loss for the financial year	**(9,753)**	-
At 31 December 2001	**(34,821)**	4,604

* See Note 1b) to the Financial Statements, Accounting policies – Restatement of Prior Period.

20 Reconciliation Of Movements In Shareholders' Funds

	2001 £'000	2000 £'000
Opening shareholders' funds as previously reported	**6,540**	29,039
Prior period adjustment*	**750**	2,336
Opening shareholders' funds as restated	**7,290**	31,375
Loss for the financial year	**(9,753)**	(24,085)
Net reduction to shareholders funds	**(9,753)**	(24,085)
Closing shareholders' funds	**(2,463)**	7,290

* See Note 1b) to the Financial Statements, Accounting policies – Restatement of Prior Period.

Notes To The Accounts At 31 December 2001 (Continued)

21 Disposal Of Operations

Net assets sold on the disposal of the RMS divisions

	£'000
Intangible fixed assets	4,249
Tangible fixed assets	7,483
Stocks	6,136
Debtors	14,683
Creditors	(7,699)
Net assets	24,852
Satisfied by:	
Cash	25,749
Less costs of disposal	(1,919)
Loss on disposal of operations	1,022

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 contributions are determined by a qualified actuary on the basis of valuations using the projected unit method.

Particulars of the Group pension scheme are contained in the financial statements of Schlumberger plc.

The pension charge for the Company for the year was £1,633,232 (2000: £1,319,568).

Notes To The Accounts At 31 December 2001 (Continued)

23 Leasing Commitments

	Land and buildings £'000	Other leases £'000	2001 Total £'000	2000 Total £'000
Operating leases				
Amounts payable in the next year	470	413	883	723
Representing commitments expiring:				
Within one year	-	78	78	15
Between two and five years	-	335	335	238
In more than five years	470	-	470	470
	470	413	883	723
Finance leases				
Amounts payable in the next five years			-	25
Representing commitments expiring:				
Within one year			-	25
Between one and five years			-	-
			-	25

24 Capital Commitments

Capital expenditure contracted for, at 31 December 2001, for which no provisions have been made in these accounts, was as follows:

	2001 £'000	2000 £'000
Contracted	**8**	55

25 Contingent Liabilities

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

	2001 £'000	2000 £'000
Bank and VAT/duty deferment guarantees	**384**	264
Performance Bonds	**181**	376
	565	640

26 Subsequent Events and Financial Position

In February 2002, the Company sold the business and trade of the Felixstowe Smart Cards division to its subsidiary, SchlumbergerSema Cards Limited. The business was transferred at market value, realising a gain on disposal of £24 million, restoring the net asset position of the Company to positive net assets in the first quarter of 2002. The consideration for the sale was met by an issue of share capital by SchlumbergerSema Cards Limited.

The £12 million guaranteed unencumbered loan note and £10 million guaranteed encumbered loan note issued in respect of the acquisition of Data Marine Systems Limited in October 2000, were called on for early repayment in April 2002 and settled in full.

In July 2002, the Company sold its subsidiary Energy Auditing Agency Limited to a management buy out.

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 8th Floor, South Quay Plaza 2, 183 Marsh Wall, London, E14 9SH and Schlumberger Limited from 153 East 53rd Street, New York, NY 10022-4624, U.S.A.