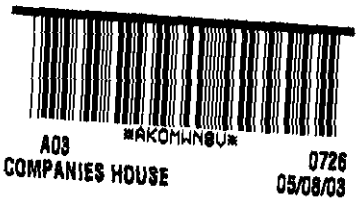
Schlumberger Industries Limited

(Registered Number: 534821)

Directors' Report And Financial Statements

Year Ended 31 December 2002



Schlumberger Industries Limited

Report Of The Directors
For The Year Ended 31 December 2002

The directors have pleasure in submitting their annual report together with the financial statements of Schlumberger Industries Limited ("the Company") for the year ended 31 December 2002.

Review Of The Business

Revenue from operations totaled £47.9m in 2002 as against £105.9m in 2001. The fall in revenue reflects another year of corporate restructuring for the company. Most notably, effective 25 February 2002, the company sold its Smart Card manufacturing business based in Felixstowe to associated group undertaking SchlumbergerSema Cards Limited in a drive to rationalise Schlumberger's UK card manufacturing sites. The decrease in revenue year on year also reflects the Company's disposal in November 2001 of its four Resource Management System (RMS) Divisions as part of a worldwide Schlumberger RMS disposal.

The operating loss (before exceptional operating items) for the year was £2.3m as against profit of £1.7m in 2001, again reflecting the dynamics of corporate restructuring during the period. Despite growth in the Company's Network Solutions, the transfer of the loss-making Cards business to another group company and reduced administration expenses, the increased profitability in these areas was eroded by continuing losses in the Company's Semiconductor Solutions and E-City divisions. Further, profits were previously generated in 2001 from the former RMS businesses, no longer part of the Schlumberger business.

Schlumberger Network Information Systems (NIS), formerly Schlumberger Network Solutions (SNS), saw continued strong growth during the year generating £30.9 million of revenue (2001: £13.2 million). Revenue growth was driven through a combination of network upgrade and outsourcing contract wins in both Telecommunications and Oil and Gas sectors such as those with Hutchinson 3G and Conoco as well as increased business opportunities arising from Schlumberger's acquisition of Sema UK Limited. Contract wins and revenue growth translated to increased operating profitability for the division, contributing an additional £1.4m operating profit in 2002.

On 23 December 2002, the company sold its London based Network Information Systems (NIS) division to an associated group company, Sema UK Limited, to harmonize UK owned Network Solutions Groups.

Business levels in the Ferndown based Semiconductor Solutions division continued to decline, a knock on effect of the continued decline in the semiconductor and telecommunications industry as a whole. No revenue was generated from the sale of test systems in 2002 and service revenue fell dramatically as customers failed to renew maintenance contracts. Effective 30 June 2002, the Company sold its test systems and service group (sales and application engineers) to associated group company NP Test UK Limited.

Similarly, sales volumes of printed circuit board test systems fell by 78% during the period impacting both revenue and operating results. On 25 October 2002, the Company sold its board telecom division to a third party Diagnosys Limited. Operating results were impacted due to the loss of maintenance revenue in quarter 4 following this disposal.

The Company's E-City parking solutions business maintained revenue levels in 2002 at £8.0 million as against £7.9 million in 2001 and made some important contract wins most notably that with Edinburgh City council to supply, install and maintain (5-year contract) 456 on-street parking machines including installation of a bureau system taking responsibility for the operation, maintenance and monitoring of machines, leaving the client with only cash collection.

Report Of The Directors For The Year Ended 31 December 2002 (Continued)

Review Of The Business (Continued)

This contract win represented the largest one-off volume contract to date for the E-City division. Despite such wins, margins continued to fall in an ever increasingly competitive market, mainly through price competition.

Following the numerous disposals during the period, going forward into 2003, the Company comprises Point of Sale activity (sale of cards terminals) and E-City Parking Solutions.

The Company will continue to trade in its current form during 2003.

Subsequent Events

On 4 June 2003, the Company sold its investment in three dormant subsidiary undertakings to immediate parent undertaking, Schlumberger plc generating a gain on disposal of £1,075,529.

On 17 July 2003, the Company disposed of its freehold property in Ferndown, Dorset and its leasehold property in Stockport, Manchester to an associated group undertaking at net book value.

On 10 July 2003, the Company disposed of its investment in SchlumbergerSema Cards Limited to immediate parent undertaking, Schlumberger plc, at net book value.

Principal Activities

The Company's principal activities during the year were 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 profit after taxation on the year's trading was £5,084,000 (2001: loss of £9,753,000). Amounts transferred to reserves and the financial position of the Company are shown in the annexed financial statements. The Directors do not propose a dividend (2001: nil).

Directors

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

A Goldby	
M Mannering	Resigned 10 July 2003
J Neath	Resigned 10 July 2003
N Ray	
C Saunders	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.

Report Of The Directors For The Year Ended 31 December 2002 (Continued)

Political Contributions And Charitable Donations

No political contributions were made during the year (2001: nil). Charitable donations amounting to £361 (2001: £1,445) 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 6 days of purchases outstanding as at 31 December 2002 based on the average daily amount invoiced by suppliers during the year (2001: 7 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.

Statement of directors' responsibilities

The directors are responsible for preparing the annual report including, as described below, the financial statements.

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 at the end of the financial year and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Schlumberger Industries Limited

Report Of The Directors
For The Year Ended 31 December 2002 (Continued)

Statement of directors' responsibilities (continued)

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which 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.

Auditors

Following the conversion of auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 27 March 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors of the Company will be proposed at the Annual General Meeting.

By order of the Board

N Ray
Secretary
30 July 2003

Auditors' Report To The Members Of Schlumberger Industries Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared under the historical cost convention.

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.

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. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the 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 kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if 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. The other information comprises only (insert as applicable: the directors' report, the chairman's statement, and the operating and financial review).

Basis of audit 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 the Company's affairs at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

30 July 2003

Schlumberger Industries Limited

Profit And Loss Account
For The Year Ended 31 December 2002

	Note	2002 £'000	2001 £'000
Turnover			
Continuing operations	4	**13,600**	15,194
Discontinued operations	4	**34,372**	90,762
	2	**47,972**	105,956
Cost of sales	4	**(40,609)**	(82,287)
Gross profit		**7,363**	23,669
Other operating expenses (including exceptional operating items of £16,783,000, 2001: £8,318,000)	4	**(26,412)**	(30,210)
Operating loss			
Continuing operations	4	**(16,639)**	(6,217)
Discontinued operations		**(2,410)**	(324)
	4	**(19,049)**	(6,541)
Profit on disposal of fixed assets		**-**	12
Loss on disposal of subsidiary undertaking			
Continuing operations (note 11)		**(118)**	-
Profit/(loss) on disposal of operations			
Continuing operations	21	**499**	-
Discontinued operations	21	**27,750**	(1,022)
Restructuring and redundancy provision		**-**	(1,848)
Profit/(loss) on ordinary activities before interest and taxation		**9,082**	(9,399)
Interest receivable	5a	**8**	377
Interest payable	5b	**(6,105)**	(5,128)
Income from fixed asset investments	5c	**281**	-
Profit/(loss) on ordinary activities before taxation	6	**3,266**	(14,150)
Tax credit on ordinary activities	8	**1,818**	4,397
Profit/(loss) on ordinary activities after taxation and retained loss for the year	20	**5,084**	(9,753)

The notes on pages 8 to 26 form part of these financial statements.

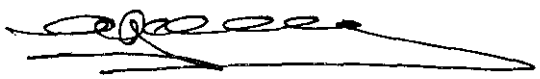
The Company has recognised no gains or losses other than those shown in the above profit and loss account.

Schlumberger Industries Limited

Balance Sheet
As At 31 December 2002

	Note	2002 £'000	2001 £'000
Fixed assets			
Intangible assets	*9*	**-**	1,731
Tangible assets	*10*	**4,276**	8,630
Investments	*11*	**21,605**	64,679
		25,881	75,040
Current assets			
Stocks	*12*	**457**	3,150
Debtors	*13*	**48,012**	31,243
		48,469	34,393
Creditors: Amounts falling due within one year	*14*	**(28,114)**	(47,896)
Net current assets/(liabilities)		**20,355**	(13,503)
Total assets less current liabilities		**46,236**	61,537
Creditors: Amounts falling due after more than one year	*15*	**(43,615)**	(64,000)
Net assest/(liabilities)		**2,621**	(2,463)
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*	**(29,737)**	(34,821)
Equity Shareholders' Funds	*20*	**2,621**	(2,463)

Approved by the directors on 30 July 2003.



A Goldby
Director

The notes on pages 8 to 26 form part of these financial statements.

Schlumberger Industries Limited

Notes To The Financial Statements At 31 December 2002

1 Accounting Policies

a) Accounting Policies

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

b) Basis Of Accounting

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

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.

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.

Notes To The Financial Statements At 31 December 2002 (Continued)

1 Accounting Policies (Continued)

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 through the profit and loss account over 20 years which is the period over which the Directors estimate that the value of the underlying businesses are expected to exceed the value of underlying assets.

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) Taxation including Deferred Taxation

Corporation tax payable is provided on taxable profits at the current rate.

The Company implemented FRS 19 'Deferred tax' during the year ended 31 December 2001.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet dates where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted. Deferred tax is measured on a non-discounted basis.

k) Pensions

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

Notes To The Financial Statements At 31 December 2002 (Continued)

1 Accounting Policies (Continued)

k) Pensions (continued)

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.

Notes To The Financial Statements At 31 December 2002 (Continued)

2 Segmental Reporting

All turnover originated in the United Kingdom.

Turnover by destination was as follows:

	2002 £'000	2001 £'000
United Kingdom	**34,855**	80,804
Rest of Europe	**8,194**	15,069
Americas	**4,721**	5,929
Africa/Asia/Australia	**202**	4,154
	47,972	105,956

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

	2002 £'000	2001 £'000
Turnover		
Continuing operations	**13,600**	15,194
Discontinued operations	**34,372**	90,762
	47,972	105,956
Profit/(loss) on ordinary activities before taxation		
Continuing operations	**(16,258)**	(4,011)
Discontinued operations	**25,340**	(5,388)
Net interest payable	**(6,097)**	(4,751)
Income from fixed asset investments	**281**	-
	3,266	(14,150)

3 Staff Numbers And Costs

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

	2002 Number	2001 Number
Direct labour	**242**	454
Indirect production	**44**	179
Selling, marketing and distribution	**55**	112
Research and development	**41**	115
Administration	**40**	85
	422	945

The aggregate payroll costs were as follows:

	2002 £'000	2001 £'000
Wages and salaries	**10,553**	23,137
Social security costs	**1,196**	1,981
Other pension costs	**791**	1,633
	12,540	26,751

4 Analysis Of Operating Loss

	2002			2001		
	Continuing Operations £'000	Discontinued Operations £'000	Total £'000	Continuing Operations £'000	Discontinued Operations £'000	Total £'000
Turnover	**13,600**	**34,372**	**47,972**	15,194	90,762	105,956
Cost of sales	**(11,932)**	**(28,677)**	**(40,609)**	(11,256)	(71,031)	(82,287)
Gross profit	**1,668**	**5,695**	**7,363**	3,938	19,731	23,669
Other operating expenses						
Research and development	**(1,790)**	**-**	**(1,790)**	(1,829)	(2,335)	(4,164)
Other administrative expenses:	**(640)**	**(4,771)**	**(5,411)**	(7,228)	(5,327)	(12,555)
Exceptional operating items						
Impairment of goodwill	**-**	**(1,623)**	**(1,623)**	-	-	-
Impairment of fixed assets	-	-	-	-	(6,675)	(6,675)
Impairment of investment in subsidiaries	**(15,160)**	**-**	**(15,160)**	-	(1,643)	(1,643)
Total administrative expenses	**(17,590)**	**(6,394)**	**(23,984)**	(9,057)	(15,980)	(25,037)
Selling, Marketing and distribution costs	**(1,281)**	**(1,588)**	**(2,869)**	(1,728)	(4,309)	(6,037)
	(18,871)	**(7,982)**	**(26,853)**	(10,785)	(20,289)	(31,074)
Other operating income/(expense)	**564**	**(123)**	**441**	630	234	864
Operating loss	**(16,639)**	**(2,410)**	**(19,049)**	(6,217)	(324)	(6,541)

5(a) Interest Receivable

	2002 £'000	2001 £'000
Interest on bank balances and short term investments	8	341
Other interest	-	36
	8	377

5(b) Interest Payable

	2002 £'000	2001 £'000
Interest on bank overdrafts and loans repayable within 5 years	360	4,006
Interest on loan notes	284	1,122
Interest on long term loan from parent company	5,461	-
	6,105	5,128

5(c) Income From Fixed Asset Investments

	2002 £'000	2001 £'000
Dividends payable from subsidiary undertakings	281	-
	281	-

6 Profit/(Loss) On Ordinary Activities Before Taxation

Loss before taxation is stated after charging the following items:

		2002 £'000	2001 £'000
Staff costs (Note 3)		12,540	26,751
Amortisation of goodwill (Note 9)		108	383
Impairment of goodwill (Note 9)		1,623	-
Impairment loss on disposal of fixed assets		-	6,675
Depreciation	- Owned assets	1,552	3,760
	- Assets on finance lease	-	24
Impairment of investment in subsidiary (Note 11)		15,160	-
Auditors' remuneration	- Audit	11	73
	- Non-audit	-	42
Operating lease rentals:	- Plant and machinery	209	105
	- Other assets	487	687
Loss/(profit) on foreign exchange		194	(53)

7 Directors' Emoluments

Of the six directors in office during the period, two were remunerated by the Company in their capacity as directors.

The total emoluments of the directors, excluding pension contributions, amounted to £210,867 (2001: £238,848). The emoluments of the highest paid director, excluding pension contributions, amounted to £153,307 (2001: £80,750).

Of the six directors remunerated by the Company in 2002, two are members of the Schlumberger UK Pension scheme, which includes a defined benefit and a defined contribution scheme. One of the directors joined the scheme during the last month of the year.

The total pension contributions of the directors amounted to £10,357 (2001: £21,139). The pension contributions of the highest paid director amounted to £9,807 (2001: £10,533).

8 Taxation

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

	2002 £'000	2001 £'000
Current year		
United Kingdom corporation tax at 30% (2001: 30%)	**2,596**	(281)
Prior year adjustments	**142**	503
	2,738	222
Deferred tax		
Current year	**(894)**	3,521
Prior year adjustments	**(26)**	654
	1,818	4,397

The current year tax assessed for the year is lower than the standard rate of corporation tax in the UK of 30% (2001: 30%). The differences are explained below:

	2002 £'000	2001 £'000
Profit/(loss) on ordinary activities before tax	**3,266**	(14,150)
Tax (charge)/credit on loss before tax at standard rate of 30% (2000-30%)	**(968)**	4,245
(Non) deductible items	**15**	(80)
Goodwill amortisation not subject to corporation tax	**(520)**	(115)
Capital items not subject to corporation tax	**3,982**	(810)
Deferred tax transferred to group undertaking	**(807)**	-
Short term timing differences	**894**	(3,521)
Prior period adjustment	**142**	503
	2,738	222

Notes To The Financial Statements At 31 December 2002 (Continued)

9 Intangible Fixed Assets

	Goodwill £'000	Patents £'000	Other £'000	Total £'000
Cost				
Balance at 1 January 2002	2,189	902	-	3,091
Additions	-	-	4,354	4,354
Disposals	-	-	(4,354)	(4,354)
Balance at 31 December 2002	**2,189**	**902**	**-**	**3,091**
Amortisation				
Balance at 1 January 2002	458	902	-	1,360
Charge for the year	108	-	-	108
Impairment of goodwill	1,623	-	-	1,623
Balance at 31 December 2002	**2,189**	**902**	**-**	**3,091**
Net book amount at 31 December 2002	**-**	**-**	**-**	**-**
Net book amount at 31 December 2001	1,731	-	-	1,731

Additions during the year relate to the acquisition of Intangible rights of the Baker Jardine business and technology rights of the Baker Jardine technology from Schlumberger Evaluation and Production Services (UK) Limited on 1 April 2002. This was subsequently sold to other Schlumberger companies on 2 April 2002 at net book value.

Following the disposal of the Cards business to an associated company in February 2002, the impairment charge in the year of £1,623,000 (2000: Nil) represents a write down of all goodwill relating to the acquisition the dormant Schlumberger Cards Limited business.

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 2002	16,051	8,129	6,684	30,864
Additions	689	27	838	1,554
Disposal of Cards and Network Solutions businesses	(609)	(6,152)	(1,440)	(8,201)
Disposals	-	(312)	(235)	(547)
Reclassification*	-	71	(33)	38
Balance at 31 December 2002	**16,131**	**1,763**	**5,814**	**23,708**
Depreciation				
Balance at 1 January 2002	11,877	5,187	5,170	22,234
Charge for the year	548	393	611	1,552
Disposal of Cards and Network Solutions businesses	(190)	(3,237)	(532)	(3,959)
Disposals	-	(185)	(248)	(433)
Reclassification*	467	(534)	105	38
Balance at 31 December 2002	**12,702**	**1,624**	**5,106**	**19,432**
Net book amount at 31 December 2002	**3,429**	**139**	**708**	**4,276**
Net book amount at 31 December 2001	4,174	2,942	1,514	8,630

*In prior periods there has been some netting off between cost and accumulated depreciation within the fixed asset records. Accordingly, a reclassification has been booked during 2002 to gross up these balances.

Notes To The Financial Statements At 31 December 2002 (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 2002	903	11,533	3,615	16,051
Additions	80	-	609	689
Disposal of Cards and Network Solutions businesses	-	-	(609)	(609)
Balance at 31 December 2002	**983**	**11,533**	**3,615**	**16,131**
Depreciation				
Balance at 1 January 2002	-	8,953	2,924	11,877
Charge for the year	-	134	414	548
Disposal of Cards and Network Solutions businesses	-	-	(190)	(190)
Reclassification	-	-	467	467
Balance at 31 December 2002	**-**	**9,087**	**3,615**	**12,702**
Net book amount at 31 December 2002	**983**	**2,446**	**-**	**3,429**
Net book amount at 31 December 2001	903	2,580	691	4,174

Notes To The Financial Statements At 31 December 2002 (Continued)

11 Investments

	Cost £'000	Provision £'000	Net book amount £'000
Balance at 1 January 2002	70,321	(5,642)	64,679
Increase of investment in SchlumbergerSema Cards Limited	25,583	-	25,583
Impairment of investment in SchlumbergerSema Cards Limited		(15,160)	(15,160)
Increase of investment in Energy Auditing Agency Limited (earn out payment)	135	-	135
Reduction of investment in Data Marine Systems (warranty claw back)	(170)	-	(170)
Disposal of investment in Energy Auditing Agency Limited	(1,895)	1,640	(255)
Disposal of investment in Data Marine Systems	(53,207)	-	(53,207)
Balance at 31 December 2002	**40,767**	**(19,162)**	**21,605**

During the year the Company made a final payment of £1,238,596 cash for SchlumbergerSema Cards Limited after the finalisation of the purchase price originally settled in December 2001 on an interim valuation for the business.

On 25 February 2002, the subsidiary undertaking SchlumbergerSema Cards Limited issued new shares to the Company to the value of £24,344,277 in consideration for the purchase of the Company's Cards division.

An impairment charge was recognised in the year on the Company's investment in SchlumbergerSema Cards Limited of £15,160,000 writing the investment down to the Director's estimated market value of the company.

On 2 July 2002, the Company disposed of its subsidiary Energy Auditing Agency Limited, realising a loss on disposal of £117,901.

On 31 December 2002, the Company disposed of its subsidiary Data Marine Systems Limited to an associated group company. There was no profit or loss on disposal.

On 31 December 2002, the Company owned the entire share capital of the following:

	Country of incorporation	Nature of business
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

Subsequent to the balance sheet date, the Company sold its investment in subsidiary undertakings, Sangamo Weston Limited, Langtone Limited, Schlumberger Technologies and SchlumbergerSema Cards Limited to its immediate parent undertaking (note 26).

12 Stocks And Work In Progress

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

	2002 £'000	2001 £'000
Raw materials	-	1,049
Work in progress	276	674
Finished goods	181	1,427
	457	3,150

13 Debtors – Amounts Due Within One Year

	2002 £'000	2001 £'000
Trade debtors	4,032	7,469
Amounts owed by parent	-	15
Amounts owed by subsidiaries and fellow subsidiary undertakings	34,321	10,555
Amounts owed by other Schlumberger companies	1,273	3,401
Deferred taxation (Note 16)	1,891	6,718
Corporation taxation	2,738	-
Other debtors	3,249	2,914
Prepayments and accrued income	508	171
	48,012	31,243

Included within deferred taxation above is an asset of £1,354,000 (2001: £3,183,830) which relates to amounts falling due in more than one year.

14 Creditors – Amounts Falling Due Within One Year

	2002 £'000	2001 £'000
Bank overdrafts	7,169	3,142
Trade creditors	112	1,575
Amounts owed to parent undertaking	10,747	3,514
Amounts owed to subsidiaries and fellow subsidiary undertakings	4,589	604
Amounts owed to other Schlumberger companies	1,097	4,858
Taxation and social security	173	525
Other creditors	675	1,743
Loan Notes at LIBOR less 0.05%	-	22,000
Accruals and deferred income	3,552	9,935
	28,114	47,896

£22 million loan notes were issued in October 2000 to finance the acquisition of Data Marine Systems Limited. This balance comprised a £12 million guaranteed unencumbered loan note and a £10 million guaranteed encumbered loan note. Both had call options for early repayment and were settled in April 2002.

15 Creditors – Amounts Falling Due After More Than One Year

	2002 £'000	2001 £'000
Deferred Income	**615**	-
Unsecured bank loans, part of a 5 year credit facility from May 2000	**-**	14,000
Long term loan from parent company, Schlumberger plc	**43,000**	50,000
	43,615	64,000

A 5 year facility £200 million revolving credit, swingline and uncommitted facility, arranged in May 2000, is in place with a syndicate of financial institutions, arranged by the parent undertaking. As at the balance sheet dates, no amounts were drawn on this facility.

The Company entered into a £200 million long term, interest bearing, loan agreement with immediate parent undertaking, Schlumberger plc. At the balance sheet date, £43 million had been drawn on this facility which is repayable in 2008 (2001: £50 million). Interest is 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
Balance at 1 January 2002	6,718
Amount charged to the profit and loss account (Note 8)	(920)
Transfers to other group companies	(3,625)
Disposals	(282)
Balance at 31 December 2002	**1,891**

At 31 December 2002 deferred taxation balances are represented by the following timing differences.

	Recognised Asset £'000	2002 Total potential asset £'000	Recognised asset £'000	2001 Total potential asset £'000
Accelerated capital allowances	**1,806**	**1,806**	4,712	4,712
Short term timing differences	**85**	**85**	2,006	2,006
	1,891	**1,891**	6,718	6,718

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

Notes To The Financial Statements At 31 December 2002 (Continued)

17 Called Up Share Capital

	2002 £'000	2001 £'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

	2002 £'000	2001 £'000
Balance at 31 December	**36**	36

19 Reserves

	Profit and loss account £'000	Other reserves £'000
As at 1 January 2002	**(34,821)**	4,604
Retained profit for the financial year	**5,084**	-
At 31 December 2002	**(29,737)**	4,604

20 Reconciliation Of Movements In Shareholders' Funds

	2002 £'000	2001 £'000
Opening shareholders' funds	**(2,463)**	**7,290**
Profit/(loss) for the financial year	**5,084**	**(9,753)**
Closing shareholders' funds	**2,621**	**(2,463)**

21(a) Disposal Of Felixstowe Cards Operation

Net assets sold on the disposal of the Felixstowe Cards division

	£'000
Tangible fixed assets	2,900
Stocks	1,583
Debtors	4,258
Cash and bank	(24)
Creditors	(7,654)
Net assets	1,063
Satisfied by:	
Shares issued in subsidiary company SchlumbergerSema Cards Limited	24,344
Gain on disposal of operations	23,281

21(b) Disposal Of Network Solutions Division

Net assets sold on the disposal of the Network Solutions Cards division

	£'000
Tangible fixed assets	1,196
Debtors	10,222
Creditors	(4,137)
Net assets	7,281
Satisfied by:	
Cash	11,750
Gain on disposal of operations	4,469

21 (c) Disposal Of Test Systems Business to NP Test UK Limited

Net assets sold on the disposal of the Test Systems and Service group:

	£'000
Tangible fixed assets	74
Stocks	267
Debtors	472
Creditors	(260)
	553
Net assets	
Satisfied by:	
Cash	855
Gain on disposal of operations	302

21 (d) Disposal Of Board Telecom Business to Diagnosys Limited

Net assets sold on the disposal of the Board Telecom business:

	£'000
Tangible fixed assets	57
Stocks	507
Debtors	225
Creditors	(35)
Net assets	754
Satisfied by:	
Cash	951
Gain on disposal of operations	197

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 £791,221 (2001: £1,633,232).

Notes To The Financial Statements At 31 December 2002 (Continued)

23 Leasing Commitments

	Land and buildings £'000	Other leases £'000	2002 Total £'000	2001 Total £'000
Operating leases				
Amounts payable in the next year	478	214	692	833
Representing commitments expiring:				
Within one year	-	26	26	78
Between two and five years	-	188	188	335
In more than five years	478	-	478	470
	478	214	692	883

24 Capital Commitments

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

	2002 £'000	2001 £'000
Contracted	109	8

25 Contingent Liabilities

Contingent liabilities not provided for in these financial statements are as follows:

	2002 £'000	2001 £'000
Bank and VAT/duty deferment guarantees	160	384
Performance Bonds	-	181
	160	565

Further, the Company has issued a parent company guarantee in respect of subsidiary undertaking, SchlumbergerSema Cards Limited guaranteeing the subsidiary will perform its obligations under a sales agreement previously signed with a contractor.

26 Subsequent Events and Financial Position

On 4 June 2003, the Company sold its investment in dormant subsidiary undertakings, Sangamo Weston Limited, Langtone Limited and Schlumberger Technologies Limited to immediate parent undertaking, Schlumberger plc, for consideration £1,680,000, £1,000 and £2 respectively generating a gain on disposal of £1,075,529.

On 17 July 2003, the Company disposed of its freehold property in Ferndown, Dorset and its leasehold property in Stockport, Manchester to associated group undertaking, Schlumberger WCP Limited at book and fair market value. There is no profit and loss impact on disposal.

On 10 July 2003, the Company disposed of its investment in subsidiary undertaking, SchlumbergerSema Cards Limited to immediate parent, Schlumberger plc, for consideration £21,100,000, being the net book value of the investment.

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 financial statements are drawn up.

Schlumberger Limited, a company incorporated in the Netherlands Antilles, is the ultimate parent company for which group financial statements are prepared.

Copies of the financial statements 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.