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**COMPANY
INFORMATION**

Directors P A B Hughes (Chairman)
L A Taylor (Managing)
P J Coen
D W Mann (Deputy Managing)
G N Olson
C G Rowland
R G Varley
C J F Böttcher (non-executive director)

Secretary R G Varley

Registered office 64 Newman Street
London W1A 4SE

Registrars Close Registrars Limited
Arthur House
803 High Road
Leyton
London E10 7AA

The Directors submit their report together with the accounts of the Company and its subsidiaries for the year ended 30 June 1985.

Principal activities

The business undertaken by Logica companies throughout the year fell into two broad categories. The mainstream activities included:

the marketing, design, production and maintenance of custom built software and hardware systems

consultancy and project management in the field of information technology

the design, development, implementation and marketing of software products and the re-usable elements of applications software, called systems kernels.

The second category of activities comprises the development, manufacture and sale of office automation products.

Results and dividends

The mainstream sector continued profitable expansion around the world. However, the office automation business suffered from adverse market conditions and significant losses were recorded.

Total turnover for the year was £806 million compared with £69.8 million in the previous year. The overall trading loss before taxation and extraordinary items amounted to £2.3 million compared to a profit last year of £5.1 million.

Profits before taxation on Logica's mainstream software business amounted to £5.0 million, representing an increase of some 19% over profits of £4.2 million for the same business last year. Turnover of the mainstream business at £60.1 million was 18% up on last year's turnover of £51.1 million. Office automation activities had a turnover of £20.4 million and a pretax trading loss of £7.4 million, compared with turnover of £18.7 million and pretax trading profit of £0.8 million last year.

In addition, there were extraordinary losses incurred amounting to £1.3 million after taxation: of these the majority related to costs involved in reducing the scale of operations of the office automation subsidiaries. After extraordinary items and tax the mainstream software business produced a profit of £1.8 million, £1.2 million last year, whilst the office automation business resulted in a loss of £5.3 million compared with a profit of £0.7 million last year.

In the light of the losses incurred in the second half of the year and the effect on balance sheet reserves, the Board decided not to declare a final dividend to follow the interim dividend of 0.35p per share paid on 30 April 1985.

The balance sheet shows that net current borrowings rose to £11.9 million at the year end, compared to £0.9 million at the end of last year, the increase being due to the office automation operations. Net assets, excluding intangible assets, amounted to £11.4 million at the end of the year compared to £16.2 million last year.

In order to restore the Company's actual borrowing ability (which is based on the amount of the Company's share capital and reserves) and to give sufficient operational flexibility in these circumstances, the Directors consider that it is prudent to increase the borrowing powers of the Company. Accordingly a Special Resolution is being proposed to this effect as Resolution No. 5 in the Notice of the forthcoming Annual General Meeting.

Business review

The UK continued to provide the largest market for mainstream business, contributing 54% of turnover. As a result of continued growth, the UK operations have been established as separate companies with six new companies this year joining Logica Space and Defence Systems Limited (formed in 1984). Large new contracts were gained from major clients in a variety of market sectors, underlining Logica's growing capability in winning high value turnkey assignments.

Mainstream business in continental Europe continued to grow and subsidiaries are well placed for further expansion. Logica BV won major SCADA contracts in the Netherlands and established a base in Houston, Texas, from which to exploit in the US Logica's leading position in pipeline systems. The West German subsidiary progressed from start-up to full profitable operations. The Belgian and Swedish companies both increased profits. The acquisition of a 50% stake in a leading Italian software company, now trading as Logica General Systems, has given Logica an established base in a growing market.

Elsewhere in the mainstream operations, Logica in Australia had a difficult first half year but recovered in a strong second half. Jardine Logica Systems continued the major project for the unified Stock Exchange of Hong Kong and established a new base in Singapore from which to serve South East Asian markets. In the US, Logica Inc, which had made losses in the previous two years and in the first half year to December 1984, returned to trading profitability by year end. Profits, however, were not sufficient to overcome first half losses. The directors have decided to make a provision for possible costs in the planned disposal of excess office space in New York.

In contrast to the strong performance of the mainstream business, Logica's office automation subsidiaries experienced very difficult trading conditions. High levels of activity in the development and marketing of the new office automation systems launched in September 1984 could not be sustained. Major cuts were announced in July 1985 for both Logica VTS and ITIC to stem substantial losses.

Research and development

Research and development activities are carried out for clients in many market sectors, for government sponsored research and developments programmes and for product and other development within Logica.

Some 70% of the £5.4 million spend was for the development of office automation and other products. Advanced technology and research is focused within Logica Cambridge Limited where over 25 staff are engaged in artificial intelligence, speech technology and custom VLSI design.

Prospects for the future

The problems in the office automation business have led to losses and heavily increased borrowings. After the year end the bank facilities for overdrafts and loans have been secured by guarantees and debentures. Although the losses have been sharply reduced there are a number of uncertainties which have yet to be resolved. These matters continue to be held under intense review by the Directors.

The prospects for Logica's mainstream business remain excellent. There is considerable evidence of growing demand for the skills provided by the world's leading software companies. This demand is strong in sectors such as finance, space, defence, telecommunications, transport and energy, where Logica is well placed to win substantial business.

Directors

P C Harbidge, D M K Matthews and N J Prebble resigned from the board on 18 June 1985.

P C Harbidge reduced his commitment to Logica to part time in order to pursue some other interests. D M K Matthews who was also the Managing Director of Logica Space and Defence Systems Limited continues in this latter role but in a full-time capacity. N J Prebble was appointed full-time chairman of the newly formed Logica Energy and Industry Systems Limited.

The Directors who held office at 30 June 1985 had the following interests in the shares of the Company.

	30 June 1985			30 June 1984	
	Beneficial	Non-Beneficial	Options	Beneficial	Non-Beneficial
P A B Hughes	2,371,287	191,802	0	2,806,287	256,802
L A Taylor	1,643,296	298,429	2,027	2,007,406	298,429
P J Coen	986,156	341,714	2,027	1,186,156	341,714
D W Mann	423,192	73,652	2,027	542,976	77,314
G N Olson	132,144	0	2,027	165,144	0
C G Rowland	92,560	75,130	0	112,560	93,912
R G Varley	79,257	0	2,027	95,275	0
C J F Böttcher	40,635	0	0	65,016	0

The Directors had been granted options on the shares shown above at 30 June 1985 exercisable at 365p per share in 1990. The options were issued as the maximum allowable under the Logica Savings Related Share Option Scheme. These directors have subsequently renounced their options and applied for the maximum number permitted in the similar offer to all eligible staff dated 1 October 1985.

None of the Directors had a material interest in any contract of significance to which the parent company or a subsidiary was a party during the financial year.

There have been no movements in the shareholdings of Directors since 30 June 1985.

Substantial holdings	The Directors are not aware of any shareholdings in excess of 5 per cent of the called up share capital apart from the interests of the Directors disclosed above.
Disabled persons	It is the Company's policy to give full and careful consideration to applications for employment from disabled persons, to continue wherever possible the employment of members of staff who become disabled and to ensure that training and career development are encouraged.
Employee participation	<p>It is Company policy regularly to hold meetings with staff when matters concerning them and their area of business are discussed. All staff receive the annual report and accounts.</p> <p>The Directors consider that it is desirable to encourage staff to become and remain shareholders. Share option schemes which were approved by shareholders during the year have been implemented worldwide mainly on a savings related basis. At 30 June 1985 options were granted to staff for 463,051 Ordinary Shares, exercisable at prices from 365p to 405p per share between 1987 and 1990. Subsequent to the year end a significant number of the staff option holders also have renounced their existing options. The current offer of 1 October 1985 is still open for applications.</p>
Fixed assets	The changes in the fixed assets of the Company and its subsidiaries are disclosed in Note II to the accounts.
Taxation status	The Company is not a close company within the provisions of the Income and Corporation Taxes Act 1970.
Auditors	Price Waterhouse have expressed their willingness to continue in office. A resolution will be proposed at the Annual General Meeting for their re-appointment as auditors and authorising the Directors to fix their remuneration.
Authority to allot securities	<p>Under Section 89 of the Companies Act 1985 equity securities in the Company may not be allotted for cash (otherwise than in respect of an employee share scheme) without first being offered pro rata to existing shareholders, unless the prior approval of the shareholders in General Meeting is given. The Directors consider that it is in the best interests of the Company that the relevant authority given at the Annual General Meeting in 1984 should be renewed in similar terms. Accordingly a Special Resolution to this effect is proposed as Resolution No. 4 in the Notice of the forthcoming Annual General Meeting. The proposed authority expires at the date of the 1986 Annual General Meeting and permits the Directors during this period to issue equity securities either in connection with a rights issue or up to 5% of the authorised share capital without first offering them to existing shareholders.</p>

**Summary profit
and loss account**

	1985		1984	
	£000	£000	£000	£000
GROUP				
Turnover	80556		69763	
Operating costs	(81707)		(64448)	
Profit from related companies	88		(53)	
Interest	(1272)		(205)	
Group (loss)/profit before tax		(2335)		5057
Taxation		76		(2364)
Group (loss)/profit after tax		(2259)		2693
Minority interest		51		(99)
Extraordinary items		(1313)		(728)
(Loss)/profit for the financial year		(3521)		1866
Dividends paid and proposed		(122)		(350)
Transfer (from)/to reserves		(3643)		1516

Consisting of:

MAINSTREAM				
Turnover	60130		51089	
Operating costs (incl. interest)	(55202)		(46812)	
Profit from related companies	88		(53)	
Profit before tax		5016		4224
Taxation		(2717)		(2523)
Profit after tax		2299		1701
Extraordinary items		(555)		(416)
Minority interest		51		(99)
Profit for the year		1795		1186

OFFICE AUTOMATION				
Turnover	20426		18674	
Operating costs (incl. interest)	(27777)		(17841)	
(Loss)/profit before tax		(7351)		833
Taxation		2793		159
(Loss)/profit after tax		(4558)		992
Extraordinary items		(758)		(312)
(Loss)/profit for the year		(5316)		680

By order of the Board

R G VARLEY
Secretary
1st November 1985

**CONSOLIDATED
PROFIT AND LOSS
ACCOUNT**
For Year Ended 30 June 1985

		1985		1984	
	Note	£000	£000	£000	£000
Turnover	1		80556		69763
Change in stocks of finished goods and work in progress			<u>3513</u>		<u>2786</u>
Revenue			84069		72549
Raw materials and consumables		16333		11842	
Other external charges		10259		12634	
Staff costs	2	38228		28742	
Depreciation and other amounts written off tangible and intangible fixed assets	3	2113		1181	
Other operating charges	4	<u>18287</u>		<u>12835</u>	
			<u>85220</u>		<u>67234</u>
(Loss)/profit on ordinary activities before interest and taxation			(1151)		5315
Profit from related companies		88		(53)	
Interest payable (net)	5	<u>(1272)</u>		<u>(205)</u>	
			<u>(1184)</u>		<u>(258)</u>
(Loss)/profit on ordinary activities before taxation			(2335)		5057
Taxation on (loss)/profit on ordinary activities	6		<u>76</u>		<u>(2364)</u>
(Loss)/profit on ordinary activities after taxation			(2259)		2693
Minority interest			51		(99)
Extraordinary items	7		<u>(1313)</u>		<u>(728)</u>
(Loss)/profit for the financial year			(3521)		1866
Dividends paid and proposed	8		<u>(122)</u>		<u>(350)</u>
Transfer (from)/to reserves	20		<u>(3643)</u>		<u>1516</u>
(Loss)/earnings per Ordinary Share	10		(6.31p)		8.60p

**STATEMENT OF
RETAINED PROFITS**
For Year Ended 30 June 1985

Retained profits at 1 July 1984		5325	1493
Prior year adjustment	20	<u>(846)</u>	<u>(683)</u>
As restated		4479	810
Retained (loss)/profit for the year		(3643)	1516
Acquired from minority on merger		0	2019
Translation differences		(156)	168
Transfer to other reserves		<u>(73)</u>	<u>(34)</u>
Retained profits at 30 June 1985		<u>607</u>	<u>4479</u>

**CONSOLIDATED
BALANCE SHEET**
at 30 June 1985

	Note	1985		1984	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	11.1		7416		6479
Tangible assets	11.2		10380		7246
Investment	11.3		668		0
			<u>18464</u>		<u>13725</u>
Current assets					
Stocks	13		14166		10584
Debtors	14		21187		19555
Cash and bank balances			<u>1857</u>		<u>4830</u>
			<u>37210</u>		<u>34969</u>
Creditors					
amounts falling due within one year	15		<u>34414</u>		<u>23877</u>
Net current assets			<u>2796</u>		<u>11092</u>
Total assets less current liabilities			21260		24817
Creditors					
amounts falling due after more than one year	16		1483		526
Provisions for liabilities and charges	17		<u>983</u>		<u>1585</u>
			<u>2466</u>		<u>2111</u>
			<u>18794</u>		<u>22706</u>
Capital and reserves					
Called up share capital	19		3500		3500
Share premium account	20		12599		12599
Other reserves	20		2088		2020
Profit and loss account	20		<u>607</u>		<u>4479</u>
			18794		22598
Minority shareholders interest			<u>0</u>		<u>108</u>
			<u>18794</u>		<u>22706</u>

L A TAYLOR

D W MANN

Directors

1st November 1985

BALANCE SHEET
at 30 June 1985

	Note	1985		1984	
		£000	£000	£000	£000
Fixed assets					
Investments	23		14863		7545
Current assets					
Debtors	24		23065		8450
Cash and bank balances			<u>10</u>		<u>3513</u>
			23075		11963
Creditors					
amounts falling due within one year	25		<u>21399</u>		<u>3108</u>
Net current assets			<u>1676</u>		<u>8855</u>
			16539		16400
Capital and reserves					
Called up share capital	19		3500		3500
Share premium account	20		12599		12599
Profit and loss account	9		<u>440</u>		<u>301</u>
			16539		16400

L A TAYLOR

D W MANN

Directors

1st November 1985

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F I N A N C I A L R E S U L T S

**CONSOLIDATED
SOURCE AND
APPLICATION OF
FUNDS**

For Year Ended 30 June 1985

	1985		1984	
	£000	£000	£000	£000
(Loss)/profit on ordinary activities before taxation		(2335)		5057
Extraordinary items before taxation		<u>(1595)</u>		<u>0</u>
		(3930)		5057
Adjustments for items not involving the movement of funds				
Depreciation and amortisation	2113		1181	
Profit on sale of fixed assets	(15)		(8)	
Translation differences	(266)		74	
Share of related company (profit)/loss	(88)		53	
Adjustments to goodwill	<u>(732)</u>		<u>(882)</u>	
		1012		418
Funds (utilised)/generated by operations		(2918)		5475
Funds from other sources				
Taxation refunded	402		31	
Sale of fixed assets	288		179	
Shares issued on flotation and reorganisations	<u>0</u>		<u>8498</u>	
		690		8708
		(2228)		14183
Application of funds				
Purchase of fixed assets	(5513)		(4178)	
Taxation paid	(2106)		(1113)	
Acquisition of related company and trade investments	(647)		0	
Acquisition of subsidiaries	0		(2323)	
Acquisition of minority interests	(223)		0	
Dividends paid	<u>(350)</u>		<u>(123)</u>	
		(8839)		(7737)
		(11067)		6446
(Increase)/decrease in working capital				
Stocks	(3582)		(4796)	
Debtors	(1229)		(6896)	
Creditors	<u>4859</u>		<u>6191</u>	
		48		(5501)
(Decrease)/increase in net liquid funds		(11019)		945
Utilised by office automation	(11326)		(7150)	
Generated by mainstream	307		(403)	
Generated by flotation and reorganisation	<u>0</u>		<u>8498</u>	
		(11019)		945

- 1 Basis of accounting and consolidation** The accounts are prepared under the historical cost convention and are the result of the consolidation of the accounts of the Company and its subsidiaries and also include the relevant share of the results of related companies.
- 2 Turnover** Turnover represents amounts invoiced to clients net of amounts billed in advance and excluding VAT.
- 3 Recognition of profits**
- 3.1 Profit on contracts for the supply of professional services at pre-determined rates is taken as and when the work is billed irrespective of the duration of the contract.
- 3.2 Profit is taken on fixed price contracts whilst the contract is in progress, having regard to the proportion of the total contract which has been completed at the balance sheet date. Provision is made for all foreseeable future losses. As explained in note 20, the basis of calculating the amount of future losses in the mainstream business has been changed.
- 3.3 Income from finance leases is taken to profit and loss account based on a constant periodic rate of return on the net cash investment in each lease.
- 4 Stock and work in progress**
- 4.1 Physical stock and work in progress is valued at the lower of cost and net realisable value.
- 4.2 The valuation of work in progress on fixed price contracts is adjusted to take up profit to date or foreseeable losses in accordance with 3.2 above.
- 4.3 Other work in progress is valued at cost or at estimated net realisable value if lower. Cost comprises:
Professional work in progress valued at the cost of salaries and associated payroll expenses of employees engaged on assignments and a proportion of attributable overheads.
Unbilled expenses incurred and equipment purchased for clients in connection with specific contracts.
- 5 Research and development** Research costs are written off in the year in which they are incurred unless they are to be reimbursed by third parties. Development costs are also written off in the year in which they are incurred unless they are to be reimbursed by third parties or they result in the production of an identifiable, saleable product.
- 6 Goodwill** Goodwill is stated at cost and represents the excess of the cost of acquisition of subsidiaries over related net tangible assets at the dates of acquisition including losses foreseen at the time of acquisition.
- 7 Depreciation** Depreciation is provided at rates calculated to write down the cost of all tangible fixed assets over their estimated useful lives on a straight-line basis. The annual rates of depreciation used are as follows:
- | | |
|--------------------|----------------------------|
| Office equipment | 10% |
| Computer equipment | 20% |
| Motor cars | 25% |
| Plant | 20% |
| Tooling | 50% |
| Leaseholds | equally over life of lease |
- 8 Foreign currency translation** The assets, liabilities and the trading results of foreign subsidiaries are translated into sterling at the rate of exchange ruling at the date of the balance sheet.
- Differences arising on restatement of the net investment in foreign subsidiaries and related net foreign currency borrowings are dealt with as adjustments to reserves.
- All other differences on exchange arising in the year are taken to the profit and loss account.
- 9 Deferred taxation** Provision is made for deferred taxation to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. The provision is maintained to the extent that timing differences are not expected with reasonable probability to continue into the foreseeable future.
- 10 Tangible fixed assets** Tangible fixed assets are shown at cost. Cost in this context includes the initial capitalised values of assets funded by finance leases.
- Assets financed by leasing agreements that give rights approximating to ownership are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor. Lease payments are treated as consisting of capital and interest elements and the interest is charged to the profit and loss account on a constant periodic rate of charge basis.

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**NOTES TO THE
ACCOUNTS**

		1985	1984
		£000	£000
1 Turnover	Turnover is analysed geographically as follows:		
	United Kingdom	51621	43202
	Rest of Europe	14342	11400
	USA	10187	8643
	Rest of World	4406	6518
		<u>80556</u>	<u>69763</u>

The analysis of turnover and profit by business class is disclosed in the Director's summary profit and loss account on page 6.

2 Staff	2.1 Staff numbers	1985	1984
	The average number of people employed during the year and their geographical location was as follows:		
		Number	Number
	United Kingdom	1551	1265
	Rest of Europe	253	164
	USA	205	210
	Rest of World	125	92
		<u>2134</u>	<u>1731</u>
	2.2 Staff costs	£000	£000
	Wages and salaries	34629	25857
	Social security costs	2916	2384
	Other pension costs	683	501
		<u>38228</u>	<u>28742</u>

There are voluntary pension schemes in the UK, Netherlands and Australia funded by fixed percentage and voluntary contributions. There are no unfunded liabilities in these schemes.

2.3 Directors	£	£
Directors' emoluments including employer's pension contributions and benefits in kind	<u>478771</u>	<u>437264</u>
Chairman's emoluments	<u>56106</u>	<u>46588</u>
Highest paid director's emoluments	<u>67590</u>	<u>54272</u>

The table shows the number of directors, other than the chairman and the highest paid director, and higher paid employees in the United Kingdom whose remuneration excluding pension contributions were within the bands stated:

	Directors		Higher paid employees	
	1985	1984	1985	1984
£ 0-£ 5000	1	1		
£25001-£30000	1	1		
£30001-£35000	2	3	1	1
£35001-£40000	1	1	1	1
£40001-£45000	2	1	0	0
£45001-£50000	1	1	0	0
£50001-£55000	1	1	0	0

		1985 £'000	1984 £'000
3 Depreciation	Depreciation and other amounts written off tangible and intangible fixed assets		
	Tangible owned fixed assets	1985	1134
	Tangible fixed assets under finance leases	99	0
	Intangible fixed assets	29	47
		<u>2113</u>	<u>1181</u>
4 Other operating charges	Included in the other operating charges are the following		
	Auditors' remuneration and expenses	183	123
	Hire of plant and machinery	23	209
	Operating lease rentals	3750	—
5 Interest	Receivable	112	282
	Payable	(1384)	(487)
		<u>(1272)</u>	<u>(205)</u>
6 Taxation	Recovery of UK Corporation Tax 43.75% (1984- charge 48.75%)	(331)	1554
	Overseas taxation	61	48
	Foreign tax in respect of overseas subsidiaries	563	371
	Relief for overseas taxation	(61)	(48)
	Deferred taxation	(319)	409
		(87)	2334
	Underprovision in respect of prior years	0	30
	Related companies	11	0
		<u>(76)</u>	<u>2364</u>
	There are unutilised tax losses in the Group amounting to approximately £2.1 million which may be available for the relief of the profits of certain subsidiaries in future years.		
7 Extraordinary charges	Costs involved in reducing the scale of office automation operations	1040	0
	Provision for losses on disposal of surplus office space in United States of America	555	0
		1595	0
	Taxation		
	Attributable taxation	(282)	0
	Deferred taxation in respect of prior years	0	728
		<u>1313</u>	<u>728</u>
8 Dividends	Interim dividend paid of 035p net per share	122	123
	Final dividend	—	227
		<u>122</u>	<u>350</u>
9 Profit attributable to members of the holding company	Dealt with in the accounts of the company	<u>139</u>	<u>(169)</u>

The Company has not presented its own profit and loss account as allowed by the Companies Act 1985.

10 Earnings per share	The calculation of loss per ordinary share is based on the loss after taxation before extraordinary items and after minority interest, which amounts to £2,208,000 (1984- £2,594,000 profit) and on the 35,000,000 (1984- weighted average 30,162,228) ordinary shares in issue throughout the year.
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11 Fixed assets

11.1 Intangible assets

Goodwill

	£000
Cost	
1 July 1984	6479
Translation differences	68
Arising in the year	898
30 June 1985	<u>7445</u>
Amounts written off	
1 July 1984	0
Provided	29
30 June 1985	<u>29</u>
Net book value	
30 June 1985	<u>7416</u>
1 July 1984	6479

11.2 Tangible assets

	Short Leaseholds £000	Office Equipment £000	Computer Equipment £000	Motor Cars £000	Plant & Tooling £000	Total £000
Owned assets						
Cost						
1 July 1984	2611	2108	3961	925	1481	11086
Translation differences	6	(18)	(26)	(13)	0	(51)
Additions	487	416	1638	460	902	3903
Disposals	(115)	(1)	(105)	(364)	(13)	(598)
Own work capitalised	0	0	804	0	0	804
30 June 1985	<u>2989</u>	<u>2505</u>	<u>6272</u>	<u>1008</u>	<u>2370</u>	<u>15144</u>
Depreciation						
1 July 1984	839	673	1675	417	301	3905
Translation differences	(2)	(10)	(11)	(4)	0	(27)
Provided	179	180	884	222	520	1985
Released on disposals	(25)	0	(30)	(269)	(1)	(325)
30 June 1985	<u>991</u>	<u>843</u>	<u>2518</u>	<u>366</u>	<u>820</u>	<u>5538</u>
Net book value						
30 June 1985	<u>1998</u>	<u>1662</u>	<u>3754</u>	<u>642</u>	<u>1550</u>	<u>9606</u>
1 July 1984	1772	1435	2286	508	1180	7181
Assets under finance leases						
Cost						
1 July 1984	0	89	0	0	0	89
Translation differences	0	3	0	0	0	3
Additions	0	338	468	0	0	806
30 June 1985	<u>0</u>	<u>430</u>	<u>468</u>	<u>0</u>	<u>0</u>	<u>898</u>
Depreciation						
1 July 1984	0	24	0	0	0	24
Translation differences	0	1	0	0	0	1
Provided	0	76	23	0	0	99
30 June 1985	<u>0</u>	<u>101</u>	<u>23</u>	<u>0</u>	<u>0</u>	<u>124</u>
Net book value						
30 June 1985	<u>0</u>	<u>329</u>	<u>445</u>	<u>0</u>	<u>0</u>	<u>774</u>
1 July 1984	0	65	0	0	0	65
Net book value all assets						
30 June 1985	<u>1998</u>	<u>1991</u>	<u>4199</u>	<u>642</u>	<u>1550</u>	<u>10380</u>
1 July 1984	1772	1500	2286	508	1180	7246

		1985	1984
	£,000	£,000	£,000
11.3	Investments in related companies and trade investments		
	1 July 1984	0	0
	Cost of shares	618	0
	Profit for year	77	
	Deficit at 1 July 1984	(56)	
		<u>21</u>	<u>0</u>
	Related companies 30 June 1985	639	0
	Trade investments at cost	29	0
		<u>668</u>	<u>0</u>
12	Capital commitments		
	Capital expenditure authorised and contracted	199	1172
	Capital expenditure authorised but not contracted	460	10
13	Stocks		
	Work in progress	28552	21216
	Progress payments on account	20338	14700
		<u>8214</u>	<u>6516</u>
	Finished goods and goods for resale	2717	990
		<u>10931</u>	<u>7506</u>
	Raw materials and consumables	3235	3078
		<u>14166</u>	<u>10584</u>
	Work in progress includes attributable profit on contracts in progress of approximately £2,009,000. The inclusion of this attributable profit supersedes the statutory valuation rules for current assets to enable the accounts to give a true and fair view.		
14	Debtors		
	Trade debtors	17526	14676
	Amounts owed by related companies	48	77
	Other debtors	839	628
	Investment in finance leases:		
	due within one year	73	78
	due after more than one year	99	220
	Prepayments and accrued income	1544	3235
	Loans to employees to acquire shares in ultimate holding company	0	13
	Taxation recoverable	908	505
	Advance corporation tax	150	123
		<u>21187</u>	<u>19555</u>
15	Creditors		
	Amounts falling due within one year		
	Bank loans and overdrafts	13734	5688
	Payments received on account	1067	1091
	Trade creditors	7697	5631
	Amounts owed to related companies	1	0
	Other creditors	1398	2741
	Taxation and other state creditors	4495	3788
	Advance corporation tax	150	175
	Accruals	4588	2322
	Mainstream future loss provisions (see note 20)	1284	2214
	Dividends proposed	0	227
		<u>34414</u>	<u>23877</u>

The company supports the banking facilities of certain overseas subsidiaries by either direct guarantee (amount drawn at 30 June 1985 £2,335,000 - 1984 £1,747,000) or by indemnifying its bankers in respect of their guarantees (amount drawn at 30 June 1985 £306,000 - 1984 £185,000). An overseas subsidiary has provided its bankers with a charge on certain of its assets but had no relevant indebtedness at the end of either of the financial periods covered by this report.

Subsequent to the financial year end the bank facilities for overdrafts and loans in the United Kingdom and the United States of America have been secured by guarantees. The United Kingdom companies have also given their bankers debentures covering their fixed assets, stocks and debtors, and intellectual property rights.

		1985 £'000	1984 £'000
16 Creditors	Amounts due after more than one year		
	Bank loans repayable between two and five years	306	0
	Other borrowings repayable between two and five years	153	0
	Hire purchase liabilities	315	114
	Finance lease liabilities		
	Two to five years	551	31
	More than five years	33	0
	Other creditors	125	381
		<u>1483</u>	<u>526</u>
17 Provisions for liabilities and charges	Provision is made in the accounts for deferred taxation at the full potential liability as follows:		
	Accelerated capital allowances	1933	1722
	Other short term timing differences:	(159)	(154)
	Trading losses	(771)	0
	Foreign subsidiaries	(20)	17
		<u>983</u>	<u>1585</u>
	1 July 1984	1585	399
	Translation difference	(1)	19
	Provision in respect of current year	(319)	409
	Underprovision for prior years	0	30
	Extraordinary item	(282)	728
	30 June 1985	<u>983</u>	<u>1585</u>
18 Other financial commitments	There were annual commitments under operating leases as follows:		
		Land and Buildings £'000	Other £'000
	Expiring within one year	375	175
	Expiring in the second to fifth year inclusive	563	864
	Expiring after five years	2185	6
		<u>3123</u>	<u>1045</u>
19 Called up share capital	Authorised share capital		
	37,500,000 Ordinary Shares of 10p each	<u>3750</u>	<u>3750</u>
	Called up share capital		
	35,000,000 Ordinary Shares of 10p each	<u>3500</u>	<u>3500</u>
	At 30 June 1985 options had been granted for 473,186 ordinary shares exercisable at prices from 365p to 405p between 1987 and 1990.		

**20 Share premium
account and reserves**

	Share premium account £'000	Other reserves £'000	Profit and loss account £'000
At 1 July 1984	12599	2020	5325
Prior year adjustment			(846)
Translation gain (loss) on re-statement of net investment in foreign subsidiaries, and related foreign currency borrowings		(5)	(156)
Retained loss for year			(3643)
Transfer to Other Reserves		73	(73)
30 June 1985	<u>12599</u>	<u>2088</u>	<u>607</u>

As noted in accounting policy 3.2 the company has changed its method of calculating the amount of future losses. Previously future losses included an estimate of only direct costs to be incurred, whereas all attributable overheads are also included in the revised calculation. The effect on the year of this policy change was to reduce the loss before taxation by £250,000 (1984-profit reduced by £163,000).

**21 Contingent
liabilities**

- 21.1 Subsidiaries have provided indemnities to their bankers in support of performance bonds and guarantees amounting to £2,869,566
- 21.2 A subsidiary has given guarantees and indemnified its bankers in respect of the lease, rental and hire purchases obligations of certain of its subsidiaries.

**22 Principal operating
subsidiaries and
related companies**

Logica UK Limited (Great Britain)
Logica Space and Defence Systems Limited (Great Britain)
Logica VTS Limited (Great Britain)
Logica BV (Netherlands)
Logica SA (Belgium)
Logica GmbH (West Germany)
Logica Svenska AB (Sweden)
Logica Inc (USA)
Intelligent Technologies International Corporation (USA)
Logica Pty Limited (Australia)
Jardine Logica Systems Limited (Hong Kong)
Logica General Systems spa (Italy)

At 30 June 1985 the companies were all wholly owned, with the exception of Jardine Logica Systems Limited (50%), Logica General Systems spa (50%) and Logica Inc.

**Changes in corporate
structure**

Following dealings during the year with minority shareholders, Logica Nederland BV held 99.1% (1984-79.4%) of the issued share capital of Logica Inc. During the year, Logica VTS Inc. changed its name to Logica Delaware Inc, Logica Group Limited to Logica International Limited and Logica SP Limited to Logica International Projects Limited.

During the year the shareholdings in Logica UK Limited were sold at book value at 30 June 1984 by Logica International Limited to Logica plc as were those in Logica VTS Limited by Logica Holdings Limited.

During the year Logica Database Products Inc. was incorporated in Delaware, United States of America, as a wholly own subsidiary of Logica Delaware Inc.

Related companies

As at 1 May 1985, the Company acquired for cash of £618,000, 49.8% of the ordinary shares and 50.8% of the preference shares of General Systems spa, which is based in Italy. The name of the company has been changed to Logica General Systems spa. These accounts do not include any of the results of this related company.

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THE COMPANY

		1985	1984
		£000	£000
23 Fixed assets	Investment in related companies and subsidiaries at cost		
	1 July 1984	7545	6364
	Additions	7318	1181
	30 June 1985	<u>14863</u>	<u>7545</u>
24 Debtors	Amounts due within one year		
	Amounts owed by subsidiary companies	21682	7818
	Other debtors	71	9
	Advanced corporation tax	150	123
	Dividends receivable	1162	500
		<u>23065</u>	<u>8450</u>
25 Creditors	Amounts due within one year		
	Bank loans and overdrafts	8307	1587
	Amounts owing to subsidiary companies	12327	918
	Other creditors	356	68
	Taxation and other state creditors	233	133
	Advanced corporation tax	150	175
	Accruals	26	0
	Dividends proposed	0	227
		<u>21399</u>	<u>3108</u>

**OFFICE AUTOMATION
SUBSIDIARIES**

	1985		1984	
	£000	£000	£000	£000
26 Capital employed	The capital employed in the office automation subsidiaries is:			
		3398		2787
		3996		3140
		<u>7394</u>		<u>5927</u>
	Current assets			
		7595		5515
		7342		6132
		209		36
		<u>15146</u>		<u>11683</u>
		11296		9246
	Current liabilities			
		3850		2437
		11244		8364
		469		789
		<u>10775</u>		<u>7575</u>
	Shareholders funds			
		(2702)		3233
		13477		4342
		<u>10775</u>		<u>7575</u>

Report of the Auditors to the Members of Logica plc

- 1 We have audited the accounts on pages 7 to 18 in accordance with approved Auditing Standards.
- 2 As explained in the report of the Directors, the Group's office automation subsidiaries, Logica VTS Limited and Intelligent Technologies International Corporation, incurred losses amounting to £5.3 million in the year ended 30 June 1985. The future of the two subsidiaries will be subject to further review by the Directors in the year ending 30 June 1986.
- 3 No provision has been made in these accounts for:
 - (1) Goodwill of £4 million, arising in relation to the acquisition of Intelligent Technologies International Corporation, the present value of which is uncertain.
 - (2) Trading losses of the office automation subsidiaries which are expected to be incurred subsequent to 30 June 1985.
 - (3) Additional costs which may arise as a result of the review by the Directors referred to above.
- 4 The consequent provisions required may be substantial and the matters referred to above may give rise to a need for a change in the capital structure of the Group.
- 5 Subject to the effect of the matters referred to in paragraphs 2 to 4 above, in our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 30 June 1985 and of the loss and source and application of funds of the Group for the year then ended and comply with the Companies Act 1985.

Price Waterhouse
Chartered Accountants
Southwark Towers
32 London Bridge Street
London SE1 9SY
1st November 1985

