

LOGICA

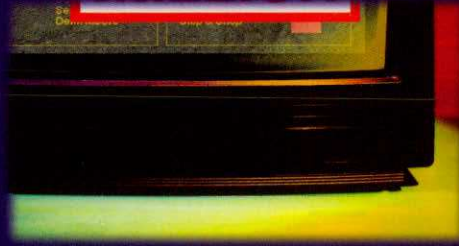
ANNUAL REPORT 1994

STRENGTHS

IN

ACTION

logica



We provide total IT solutions to the business challenges of leading organisations worldwide.

Our services include strategic IT consultancy and studies; the installation of systems, incorporating our own and third party products; software development and on-going customer support.



Chairman's statement

In 1992 the Board decided that Logica needed to improve its profitability and that the rate of revenue growth must also increase. At the end of July 1993, Martin Read joined Logica as managing director and chief executive. His primary task was to lead the company through the changes required to achieve the Board's expectations. As indicated in my statement last year, his initial tasks were to improve profit margins to nearer the historic level of 10% on sales, and to return our US subsidiary to profit.

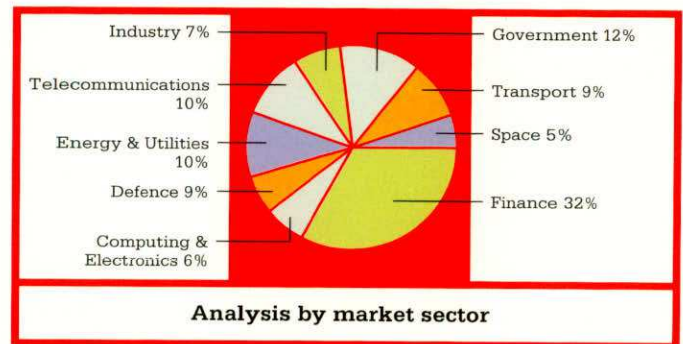
In the year just ended, the achievements of the management team exceeded our expectations. In spite of substantial restructuring costs, margins have improved. The US business moved to profit in the second half year sufficiently to offset the loss of the first half year. In addition the rate of revenue growth in the second half rose to 8%, compared to 5% for the year as a whole.

While we were satisfied with last year's results, they were less than what we believe Logica can produce. For 1994/95 we will obtain further benefits from the actions taken last year and from anticipated further small acquisitions. New management and organisational structures and a more focused approach to developing the business internationally have been put in place both to improve the inherent profitability of the business and to lay the foundations for a substantial increase in the revenue growth rate. These initiatives have been carried out in an environment which is clearly improving in most world markets. While a number of our business units continue to need strengthening by broadening their range of capabilities and customers, the outlook overall for the year ahead is of significant progress along the road to achieving Logica's market and financial goals.

The Board membership changed in the year with the retirement of David Mann. We would thank him for his contribution to Logica over many years. We believe that the Board would be strengthened by the addition of a broader base of experiences and during the current year we plan to increase our numbers with the appointment initially of at least two further non-executive members.



Paul Bosonnet
CHAIRMAN
Logica plc



A sharp increase in profits in continental Europe, a return to profits in the USA and a robust performance in the UK led to an increase in profit before tax of 50% to £13.5m (1993 – £9.0m) on turnover up 5% at £228.8m (1993 – £217.4m). Operating profit rose 61%.

THE YEAR AT A GLANCE	1994	1993
Turnover	£228.8m	£217.4m
Margins	5.9%	4.2%
Profit before tax	£13.5m	£9.0m
Earnings per share	14.0p	8.7p
Dividends per share	5.0p	4.0p
Net cash balances	£15.3m	£17.0m
Return on capital employed (after tax)	17.8%	11.6%

The directors are recommending a final dividend of 3.6p to give a total dividend for the year of 5p, an increase of 25%. Subject to shareholder approval the dividend will be paid on 7 November 1994, to eligible shareholders on the register on 13 October 1994.

United Kingdom

Operating profits for UK operations grew slightly for the year as a whole despite substantial restructuring costs incurred in the first half. Second half margins rose from 7.4% to 9.5% as the benefits of this programme and tightened operational control flowed through to profits. During the year the operation was reorganised into seventeen market facing divisions to make the business more responsive and to reduce layers of management. The benefits of this reorganisation will come in 1994/95. While government business declined reflecting the completion of a number of substantial contracts, revenues grew 2.6% with significant improvements in the space,

telecommunications and transport sectors.

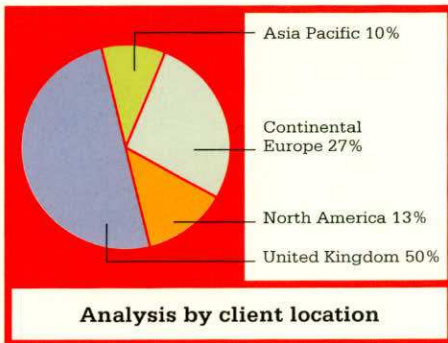
Encouragingly a number of major new contracts were secured in the final quarter of the year and at the start of the new financial year.

Continental Europe

Operating profits rose 41% with all European subsidiaries profitable. Turnover declined 3% due to the withdrawal from unprofitable activities in Germany late in 1992/93 and the disposal of a subsidiary of our Italian associate as part of an ongoing strategy to concentrate on improved quality of revenues. Substantial growth was achieved in the finance and telecommunications sectors while business in the government and space sectors declined as specific contracts were concluded.

North America

The directors are pleased to report a return to profitability in the USA. Although the overall profit was only £0.3m (1993 loss - £2.6m), performance improved throughout the year with second half operating margins reaching 7.9%. This performance improvement resulted from a tightly focused and restructured organisation and the creation of an effective management team to run the business. Customer revenues grew 39% (28% if the effects of currency movements are eliminated). All parts of the business were profitable except the funds transfer business where we invested substantially in research and development to upgrade one of our principal product lines: a major release was made on schedule late in the year. This



Earnings per share also rose 61% to 14p (1993 – 8.7p). Interest income fell due to lower interest rates and average cash balances. The tax rate improved due to the absence of overseas losses. Net cash balances declined to £15.3m as a result of acquisitions.

is a business area that we have identified as having significant potential opportunity and enables us to capitalise on our already strong position, both in the US and globally.

Asia Pacific

Our Australian operations grew profitably. However elsewhere the continuing effects of low orders produced a loss for the region as a whole. Following a change in senior management in Hong Kong we have put greater emphasis on bringing the strengths of our international offerings and capabilities to bear on meeting our customers' needs in the region.

Staff

During the year we increased recruitment of marketing and sales staff, certain key technical specialists and graduates. Overall staff numbers declined slightly as a result of the streamlining of overhead functions carried out during the year and normal attrition. The year was one of considerable change and challenge for Logica people as we reoriented the company to improve its growth and profitability prospects. The changes in some parts of the company were far reaching but the widespread acceptance of the need for change helped to introduce these with a minimum of disruption. Reflecting our confidence in the future we are planning to recruit nearly 300 graduates this year, an increase of over 20% from last year. With the changes in skills and organisation, the continuing enthusiasm and capabilities of Logica staff can be better channelled towards meeting corporate and personal goals.

Corporate development

In May 1994, Logica made its first significant acquisition for a number of years, purchasing the business of Precision Software Corporation, a provider of commercial loans systems to leading banks, based in Williamsburg, Virginia. This builds on our existing strengths in banking and extends the breadth of Precision's business by the addition of Logica's international network and systems integration skills. This approach is a good example of the kind of acquisition that we plan to make over the next few years in support of our strategy on international lines of business which is covered elsewhere in the report.

Similarly the acquisition of the business of the Software Division of Synercom Technology Inc., announced in September 1994, combines Logica's expertise, utility industry knowledge and international network with Synercom's advanced client/server systems for work management in utilities. Logica has already been working with Synercom for a number of years as a distributor. The new operation is based in Houston, Texas.

In the Netherlands, Logica BV purchased Fray Data International, further strengthening that subsidiary. In Italy, as part of our strategy to focus the business and improve its profitability, at year end our associate disposed of its activities in the health care sector. Elsewhere in Europe we have been active in extending our business into eastern Europe while in the Middle East, in September 1994, we opened a representative office in Dubai. This will enable us to concentrate our efforts in this important market.



Chief executive's review

When I became chief executive of Logica at the end of July 1993, I undertook an analysis of the company's position, including extensive discussions with people inside and outside the company. Their input supported my own judgement that Logica was technically strong with excellent people and a reputation for delivering the systems we promise but was less sales and marketing oriented than some of our competitors. Furthermore, we had failed to deliver satisfactory results for our shareholders.

We have begun to address these issues by building on the existing pre-eminent strengths of the company and establishing key corporate goals to ensure that we have a clear sense of direction and purpose:

- *for our shareholders* – to deliver superior financial performance in terms of growth in earnings per share and return on capital employed
- *for our customers* – to be an international leader in the provision of IT consultancy, systems integration, software and support to solve our customers' business challenges in our chosen markets
- *for our staff* – achievement of our customer and shareholder objectives both requires and enables us to employ and reward the best people in our industry and offer significant opportunities for career development.

Stepping up for growth

In 1993/94 we concentrated on the first element of performance improvement, namely to increase margins. Significant progress has been made by focusing on core businesses, paying attention to detail and applying strong operational management.

However, this represents only a first step in our long term plans and in

1994/95 we expect to deliver revenue growth as well as continuing margin improvement.

To provide the structure for growth, we have streamlined our administrative functions and restructured our operations into three clearly delineated regions working to integrated worldwide strategies. In the UK, we have delayed management and introduced a divisional structure instead of subsidiaries.

These changes have enabled us to offer some of our promising management talent around the world the challenge of taking on more responsibility and injecting new ideas into the way we do business. We are also recruiting more sales and marketing staff to ensure that our ability to win business matches our ability to deliver it and we are taking steps to improve the effectiveness with which we operate as an international company.

Our main routes to growth in 1994/95 are based on the development of our existing businesses. Some of these, such as government, defence and transport, will remain primarily national businesses, whilst others offer us the opportunity to leverage our international network. We also have a clearly defined acquisition strategy to support our objectives, our principal targets being to broaden our product offerings and to strengthen our position in selected geographical markets.

Serving customers globally

Software is a global business and customers increasingly purchase those products and services which are "best of class" internationally. In 1993/94 we established international lines of business in Logica, focusing on markets (finance, telecommunications, energy and utilities and space) where we have proven strengths and where products and services successful in one market can be sold throughout our network. We have appointed international line of business managers for these sectors. Their task is to determine strategy and global market position in their sector, build our product and capability portfolio and ensure that our international network is able to sell and support solutions to our customers' business needs.

In the last six months we have made two acquisitions, Precision Software and Synercom Software, which complement our existing international line of business capabilities and which add new products to market through our international network.

We have also appointed our first international account manager, for Reuters plc, to enable us to meet its needs more effectively. Already we serve Reuters from five countries. We expect to appoint international account managers during the current



year for some other globally focused clients.

We are expanding our international network whenever we can see scope for strengthening our market positions in our chosen international lines of business.

Delivering business benefits

The ever-increasing level of investment in information technology (IT) generates a growing requirement to demonstrate that real value is being delivered and that key operational benefits are being secured. These benefits derive from operational capability, cost reduction and improved service levels.

Our response to these requirements has been to strengthen our strategic and technical consultancy capabilities with new staff and appropriate management structures. We are also continuing to target our investment in new technologies to secure increased benefits for our customers and more effective delivery systems. Some of the areas in which we have been active this year are object orientation, group working, user interfaces and multimedia applications.

We continue to enhance our project management and systems integration skills. Systems are becoming more ambitious in scope and timescale, involving more numerous and influential client departments, and multiple sites

and sub-contractors. The ability to manage such projects to a successful conclusion is only achieved by stringent testing and the on-going re-assessment of methodologies and processes, and by keeping our project managers' training regularly refreshed. This year Logica continued to lead the field in quality by gaining corporate ISO9001 TickIT quality registration for all our wholly-owned businesses across Europe in addition to our registrations for our Hong Kong and Australia operations.

In a fast changing world, our clients increasingly look for proven solutions and it is for this reason that we are expanding our portfolio of products, kernels and packaged services, enabling us to deliver solutions both quickly and cost-effectively.

Improving operating effectiveness

For many clients, reducing costs means outsourcing all or some of their IT operations. In response, we have appointed a senior manager to direct Logica's activities in the field of software applications management. In this fast growing area, we take responsibility for managing and enhancing a portfolio of our clients' software applications. We already provide this service to many of our long term customers.

Strengths in action

In last year's annual report we focused on Logica's STRENGTHS THAT DELIVER, the characteristics of Logica that enable us to deliver benefits to our customers. This year's focus is on the STRENGTHS IN ACTION and shows how these strengths have delivered tangible and measurable business and operational benefits to our clients over the last year.

Logica's technical excellence and track record for reliability and performance are formidable strengths to take forward into the future. The team at Logica looks forward to exploiting these strengths for the benefits of our shareholders, customers and staff in 1994/95 and beyond.



Dr Martin Read
 MANAGING DIRECTOR AND
 CHIEF EXECUTIVE
 Logica plc



Logica acted as consultants to the Mechanical-Copyright Protection Society to determine how it could collaborate with the Performing Right Society to reduce operating costs and enhance efficiency for the benefit of composers and music publishers.

PROJECT SNAPSHOTS

Since 1992 Logica has provided high level consultancy to the Union Bank of Switzerland's (UBS) Region Europe, advising the bank on IT strategies, organisation and systems. We are helping UBS to develop an IT strategy which provides a common systems architecture. This will give individual groups freedom to customise the applications for their own specific needs within a sound corporate framework. Additionally we are helping UBS to develop an interface with the new electronic stock exchange in Switzerland. Hans-Ruedi Wolfensberger, director, Region Europe Logistics, says that they use Logica's consultancy because we tailor our capabilities precisely to our client's real needs and deliver the right skills at the right time.

In a £3 million contract for the UK Ministry of Defence, we are leading a study to advise on the introduction of microwave landing systems (MLS) for military applications. The work includes the supply and installation of a fully operational MLS ground station together with complementary aircraft systems.

Logica conducted a study to determine the appropriate technology in order to ease the communication of data between the Directorate General of Fisheries of the European Commission and the corresponding Member States' administration.

Many consultants can offer strategic IT advice, and many have the expertise to steer clients through the technology maze. Others can offer strong system design and integration capabilities. Logica is one of the few providers which offers all these, combining business understanding, IT skills and in-depth industry knowledge. Our consultants advise at the highest levels, helping clients to develop IT strategies which will work and which will stand the test of time. The advice we give is based on a thorough appreciation of the practical complexities of introducing new systems.

In addition to strategic consultancy we offer a wide range of market and technical capabilities, many of which are unrivalled in our industry. For example, our expertise in the field of international clearing systems is in demand throughout the world. We understand the regulatory and security issues facing these bodies and know how to help build the appropriate, state-of-the-art systems.

In the technology arena, for example, we can offer consultancy on critical issues such as how to develop a common user interface for use across a diverse set of applications.

As an independent company, the advice we give is also independent. The recommendations of our consultants are based on up-to-date and first hand evaluation of market offerings. Faced with increasing trends towards downsizing and open distributed systems, and the consequent opportunities for reorganising business processes, companies need the best advice from consultants who are aware of the technical complexities and sensitive to the market pressures and business concerns.

The Mechanical-Copyright Protection Society (MCPS) appointed Logica to determine whether it was feasible to collaborate with the Performing Right Society (PRS). These societies protect the rights of composers and publishers, and collect and distribute royalties whenever music is recorded (MCPS) or performed (PRS). By collaborating they will be able to run a more efficient service, pooling data and resources to reduce their cost base. Operating as a non-profit making organisation, MCPS distributes

£100 million of royalties a year to its 12,000-strong membership of composers and music publishers.

Logica was appointed by MCPS to review the IT systems, the business environment and the commercial needs of both societies. This called for a thorough appreciation of the similarities and, crucially, the differences between the two – with differing membership profiles and rights based either on the mechanics of recording or live performance – and an understanding of the organisational, managerial and financial issues involved in potential collaboration. Frans de Wit, chief executive of MCPS, comments, "What impressed us about Logica was the overall approach of the team of consultants they assembled. They reached an understanding very swiftly of what our organisation was all about and what was required. The individual team members had also been carefully chosen and assigned to the specific tasks we needed to achieve."

The study focused on the societies' business processes, determining whether the data held by the two, and the ways in which this data was used, were common enough to make collaboration sensible. The potential savings and synergy to be gained had to be viewed within the context of the organisational and cultural differences between the two societies. Combining the data systems of the two societies poses a significant challenge: the MCPS database alone contains records of 2 million works dating back to 1924, growing at a rate of 200,000 per year.

Logica's recommendation to establish a joint venture service company which would provide a database management function to both societies was accepted by the board of MCPS. This solution will enable the societies to improve the quality of their data. Logica has since been retained to provide advice to the joint venture committee. "We regard Logica as an expert adviser while we are conducting the joint venture negotiations," Frans de Wit concludes. "The solution they proposed will enable us to reduce our costs and enhance the efficiency of our operations for the benefit of our members."

The role of systems integrator is one claimed by many in our industry. Logica has derived around two thirds of its revenue from systems integration, taking overall responsibility for the delivery of large scale complex systems, for over 20 years. In recent years this role has increased in complexity, during which time we have learnt that the success of such projects is as much about business understanding as technical skill. In our experience – gained on multi-million pound developments employing large teams worldwide for several years – defining the business requirements of a system is as important and as complex as the technical implementation.

Managing large systems integration contracts draws considerably on Logica's project management and negotiation skills. Some of our contracts have involved managing hundreds of staff from many different subcontractors. Logica's reputation often rests on the skills of bringing such complex projects under control, and we have a reputation for quality which sets us apart. Our independence also makes us well-placed to advise on the most appropriate combination of hardware, software, communications protocols and specialist applications to meet our client's needs. Few in our industry can make this claim. Our experience gained on over 10,000 projects

in more than 50 countries also means that we have in-depth operational knowledge of most of the market's offerings.

When the Dutch PTT wanted to introduce itemised billing for the entire telephone network of the Netherlands it turned to Logica to help meet its exacting and rigorous timescales. Under pressure of deregulation and increasing competition, PTT Telecom had set itself ambitious targets to introduce a new service which would reinforce its leading position. The NotaBene project was set up to develop a central computer system and connect 550 regional exchanges to it via a national high speed digital network. These were scattered across 13 districts the length and breadth of the Netherlands.

Logica's role included writing the interface software for the new telephone switches, managing the testing of all software releases and supervising the implementation and quality controls. The size and complexity of the project – integrating, testing and rolling out the switches for 550 regional systems simultaneously within a year – demanded effective project management tools and techniques, as well as stringent quality control methods. Every computer-controlled telephone exchange supplied by various manufacturers had to be modified – each type had differing hardware and software technology.

PROJECT SNAPSHOTS

Logica supplied the satellite control centre for the first Turkish domestic satellite system, Turksat, as part of a ground control segment supplied by ALCATEL ESPACE of France. The facilities are located at two sites (to provide back-up support) near Ankara. The centre now controls Turksat-1B, which was launched on 10 August 1994, and is ready to support Turksat-1C, due for launch in 1996.

In December 1993 we concluded the highly strategic National Servers Pilot Project on behalf of the European Commission (EC) in the framework of the IDA programme (interchange of data between

administrations). This initial phase of the trans-European communications network linked together the agriculture, statistics and customs departments of five Member States and the EC. We were prime contractor, project managing multiple subcontractors to ensure the network was introduced on time and to budget and specification. It is delivering some very tangible benefits such as improved quality of data exchange (and resultant reduction in administrative workload), easier co-operation and communication between Member States, and a flexible, common platform for future technological developments.



Wim van den Berg, project manager at PTT Telecom, explains, "At times we were converting 16 exchanges a day, so tight planning was essential. Logica's team played a major role in supervising the implementation in the exchanges. We needed people like that in order to meet such ambitious deadlines."

To control the risk involved in the roll-out phase, Logica's team developed tools and packages which would co-ordinate the results of the acceptance testing and simulate roll-out in order to conduct 'what if' scenarios. Logica's quality control mechanisms were also introduced on the project to help manage over 8,000 milestones. "Logica was involved in the quality control at every stage," explains Wim van den Berg, "because we wanted to keep the risks under control as far as possible at all stages of the project."

"With Logica's help we were able to realise our stated objectives within the deadlines we had set ourselves," he concludes. "An approach which focuses on results helps you to cross the finishing line as a team. Logica made a major contribution to the project, despite the heavy demands placed on them. We are one of the first telephone companies in Europe to provide statements itemising calls in such detail. The secret of NotaBene's success was close co-operation based on personal relationships."

The NotaBene system enables the Dutch PTT to collate the data gathered from 30 million daily calls into 225,000 itemised statements for its customers.





UNICOM will provide 45,000 soldiers and civilians with over 11,000 computer terminals in 550 local area networks worldwide. The system follows a soldier through his army life, administering the data to ensure that he is trained, fed and paid.

Organisations today have many IT functions, often inherited or 'legacy' systems based on differing computer hardware platforms, which they need to bring together. The size and complexity of today's systems integration contracts mean that Logica may work in multinational consortia on projects which have a wide ranging impact on an organisation's operations, and often set the blueprint for future developments. As experienced project managers, we are regularly asked to take total responsibility for projects involving numerous subcontractors and suppliers of hardware, software and applications packages – we act as the 'glue' to bring all these elements of a project together and deliver the solution the client needs.

Products, both third party and 'home grown', represent an increasingly large and cost-effective element of systems integration contracts, and recent advances in the area of rapid application development tools offer a means of accelerating the software design and customisation process and automating the implementation phases. In addition to this, Logica has the tools, methods and systems to help project managers ensure that projects are completed within strict pre-determined quality guidelines.

Logica, a member of a consortium led by Bull which also includes Northern Telecom, is providing the software integration expertise on the development of a worldwide administrative computer infrastructure for the British Army. The £100 million UNICOM (unit computing) initiative will provide much needed automation of many peacetime administrative functions for army units.

The largest computer project ever undertaken by the army, UNICOM will provide over 11,000 computer terminals in 550 local area networks worldwide, bringing together office automation facilities, database management systems and application software to cover functions such as payroll management, training, equipment stores and catering supplies. It will have far reaching and long-term effects on army operations,

providing control, efficiency, quality assurance and effective support to unit level. By 1998, 550 worldwide systems will be in place and over 45,000 soldiers and civilians will be ready to use UNICOM.

Logica's role involves the integration of all hardware, third party off-the-shelf applications and software developed by army personnel, bringing everything together on a secure Unix platform. Lieutenant Colonel Laurie Daykin, UNICOM quality manager, comments, "The relationships built up on the UNICOM project are excellent. Logica provides the integration resources we need, and will also be supporting us by having a significant presence in running the Reference Centre at Worthy Down in Hampshire, UK, where problem management and configuration management systems will be located."

The project will have a profound effect on the way in which army units are run. In particular, soldiers will have to spend less time on administration and so will be able to concentrate on their fighting roles – in keeping with the army's "Frontline First" initiative. For the users, working with identical systems will mean minimum training and refamiliarisation when they move from post to post, with a common set of procedures imposed across dispersed sites. Much tedious paperwork will be eliminated. From a management point of view, the overall efficiency of operations will be improved with timely and accurate data on, for example, the service and repair status of all vehicles and availability of stores and equipment.

UNICOM will provide a firm foundation upon which the systems and strategy of the future can be based. As such it is a critical element of the army's information systems infrastructure, as Lieutenant Colonel Laurie Daykin concludes, "UNICOM will impact greatly on the way the army conducts its business. Units will for the first time be able to make a huge amount of valuable information available to a greatly increased community."

PROJECT SNAPSHOTS

For the Dutch Ministry of Transport, Public Works and Water Management, Logica has designed and built the MONICA system which caters for dynamic traffic flow information for the Dutch motorway network. Information on traffic speed and density, from currently 600 and, in the future, 10,000 measurement loops is transmitted at one minute intervals via a national network to the Transport Research Centre (AVV) office in the Netherlands, where it forms the basis for real-time traffic management. The data also helps users to determine future traffic policy and plan the required capacity for motorway network expansions.

Providing gas, water and sewage treatment to a population of over 700,000 people around Bologna, Acoser is one of the leading Italian public utilities. Logicasiel, our joint venture company in Italy, began designing and developing an advanced accounting system for Acoser in 1989. Since then we have supported the development of a new information system, and are currently delivering a new purchasing, receiving and invoice matching system to help Acoser improve the efficiency of its internal processes.

For Chevron, using Logica's products and skills to support functions such as offshore staff movements monitoring and materials management enables them to achieve more cost-effective, safer and better working processes.



PROJECT SNAPSHOTS

Our Precision Software division has been working with Bank Julius Baer & Company Ltd, the tenth largest bank holding company in Switzerland. We provided the bank's New York affiliate with the capabilities for an integrated commercial loan processing system, based on our product, Loan Syndicator. This has resulted in increased productivity, better service to the bank's senior management and its customers, reduced operations costs, and reduced staff overheads by 25%.

Linking transport companies electronically to Austrian customs is just one new service which Radio Austria Communications will be able to offer with NonStop Messaging, the EDI solution for which Logica acts as systems integrator. It will enable Radio Austria to extend the scope of its telecommunications services by establishing its own EDI clearing centre to manage the transfer of electronic messages between a vast range of computer systems and applications. Hüls, a large chemical company in Germany, is also piloting NonStop Messaging to link its 33,000 staff.



Many of the software applications which were developed bespoke in the past are today available in packaged form. Increasingly Logica provides a generic product, our own or a third party's, which already features much of the functionality our customer requires.

For our customers, product-based solutions offer improved time-to-market, because they are proven and available. For Logica, products give us the capability to take the application anywhere in the world and apply our combination of product, client and industry knowledge to deliver the solution the customer requires. Our systems integration experience reassures customers that the installation of the product will be smooth and that it will be integrated effectively with existing applications.

Chevron (UK) Limited, which operates two oilfields in the North Sea, has been a Logica client for over three years and uses our products to monitor staff movements offshore, provide information on production and manage the maintenance of offshore platforms.

Introducing Logica's MAPS personnel tracking and movement validation product has given Chevron a significant increase in the efficiency of planning and tracking helicopter flight utilisation and provided a key component in meeting the safety requirements specified by the UK government for North Sea operations following the Piper Alpha offshore platform disaster. The introduction of CIPARS, which is Chevron's implementation of our PRODIS integrated production allocation and accounting product, allows Chevron to ensure hydrocarbon production is allocated accurately and that statutory and partner reporting requirements are met in the most efficient possible

manner. PM3, developed jointly by Kvaerner AM Limited and Logica, is an integrated logistics and maintenance system, designed specifically to meet the requirements of the offshore oil and gas industry. It enables Chevron to optimise the use of their resources in progressing, tracking and deploying of materials to keep the platform producing hydrocarbons and directs their staff to areas where they can best provide value.

Doug Sellar is the information technology department site manager for Chevron's 300-person Aberdeen operation. He explains their product strategy as follows, "We use third party products and suppliers because it enables us to maximise the cost-effectiveness of our IT resources. Our people aren't tied up maintaining applications, instead we have a partner in Logica which provides a high quality technical service and the applications which meet our needs. Logica will enhance the products as our needs change. Working with Logica products we achieve more cost-effective, safer and better working processes.

"We are building an alliance with Logica as we need to have confidence that the products we use have a future, that our supplier has a direction we approve of and the resources to achieve its objectives. Logica has all of these."

In the oil industry the lower price per barrel of oil has driven many organisations to share the use of third party products, where there is no competitive advantage to be lost, and to co-operate on the development of new products. We have worked closely with a number of leading oil companies in the North Sea and are now extending provision of those products and services to companies operating across the world.

National Australia Bank (NAB) is the most dominant bank in Australia with total group assets of over \$100 billion and operations in the USA, Europe and Asia. In Australia, NAB is extremely successful in the treasury area where it has doubled its revenues over the last three years and has regularly ranked first in polls on customer service in the banking industry. In 1994 Logica installed the Teknekron trading system in NAB's 110 seat dealing room in Melbourne.

NAB had last installed a new dealing room in Melbourne in 1986 and had held off upgrading its rooms because it was felt that the pace of technological change was too fast, posing a threat to the life expectancy of the new dealing room technology. By 1993 NAB decided that the pace was slowing and that it could take advantage of the experiences of others to build a dealing room which would offer real competitive edge. The search revealed that there were a number of third party trading products available it could purchase and customise for its own needs, so bespoke development was not considered an option.

With new dealing rooms also planned for Sydney, London, New York and Wellington over the next eighteen months, it was of paramount importance to NAB that the chosen product was available, proven and supported worldwide. The bank is using the Melbourne installation and training process as a template for its Teknekron installations in other locations. As Stuart McKenzie, head of group treasury technology, explains, "We didn't want to have to work out how to systems integrate the dealing room each time we installed one."

Logica installed the Teknekron system on time and within budget. The extended Easter weekend was laid aside for the changeover; however the work was finished by Saturday night which gave the

dealers the opportunity to come in on the Monday and prepare their work areas. They had been having intensive training on the new system throughout the previous three months, so they were familiar with the system and had set up their market models on-screen.

Jeff Mitchell, general manager, treasury trading, wholesale banking & finance, says, "I have lived through five dealing room introductions and this was the smoothest ever. On the first day of trading the system went live without a hitch and all the dealers knew exactly how to use it so it would meet their own individual needs."

The introduction of the new dealing system offers major benefits to NAB. In the past, many of the dealers needed up to four screens and keyboards to access the data. Market data was delivered by video switch, with other services hardwired onto a screen in one location or via stand-alone PCs. Each dealer now sees all the relevant data on his one screen and, with it, can access the services of several information vendors. Using the latest Windows technology, they can see a number of different types of data or applications at the same time. Secondly data retrieval is speeded up so the dealers can react more quickly to market developments. Easier manipulation of data means there is no need to re-key data constantly because both the information and the applications are available on-screen. Finally the bank's knowledge of its risk is substantially improved because data on particular trading positions is readily available.

In the future NAB intends to enhance most of its applications portfolio to reflect emerging business needs, such as transfer of data between applications and cross-border trading. The new dealing system has given the bank a sound, technical platform with which to achieve these objectives.

PROJECT SNAPSHOTS

ON/X is the open systems version of the successful ON/2 retail transaction processing product. Marketed by Logica around the world, ON/X drives automatic teller machines (ATMs), point of sale devices, telephone banking including voice recognition and corporate cash management terminals, and has a recent addition of executive information and modelling capabilities. We are currently managing ON/X installations around the Middle East which incorporate sophisticated ATM and telephone banking applications.



National Australia Bank needed a new dealing room system in Melbourne which could be rolled out to its other major dealing rooms including Sydney, London and Wellington. Logica in Melbourne has helped the bank establish a successful implementation that can be applied worldwide.

In Italy Logicasiel markets the VITA 2000 customer life policies management system to the insurance sector. In November 1993, DB Vita, the Italian bancassurance subsidiary of Deutsche Bank, became the seventh Logica VITA 2000 customer and the system went live eight months later. Developed by Prime Augusta Vita in Italy, the system enables DB Vita to link up with all its 140 branches and consolidate all its sales and customer payments at the end of each day. The product enables DB Vita to operate a very effective, low-cost system with a minimal number of staff. Since June 1994 Logicasiel has been working to provide further enhancements to meet DB Vita's needs.

To help Yorkshire Electricity meet customer service standards specified by the UK electricity industry regulator OFFER, Logica is supplying a work management system for the maintenance, installation and special meter reading work carried out by the Energy Management Division. Based on the integration of Synercom's work management information system product WMIS, and an advanced scheduling package originally developed by Logica for Hitachi, the system will provide comprehensive management reporting on performance against service standards, in addition to general accounting information.

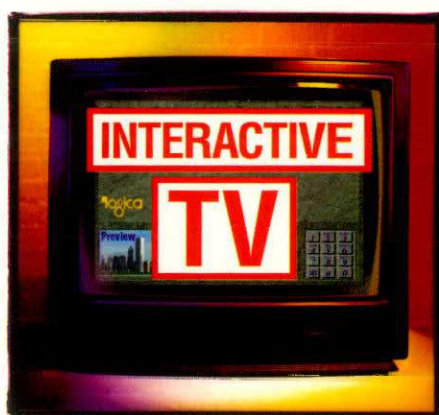
Understanding and applying the latest technologies to business challenges has always been Logica's lifeblood. We provide the in-depth technical expertise to help our clients gain competitive edge.

'Multimedia' has become the technology buzz-word of the 1990s. Logica is building a strong consultancy, creative content development, software engineering and systems integration capabilities in this exciting field, notably through our work for Ameritech, the Chicago-based regional telecommunications company. Ameritech is expanding its traditional local telephone service offerings to include video/multimedia services. Ameritech plans to deliver interactive entertainment and information services to six million people in the Midwestern United States by the year 2000. For the past two years, we have played a key role, working closely with its team to bring this ambitious venture to market.

Ameritech is developing a video and interactive services (VIS) platform which will provide consumers

with such attractive offerings as movies-on-demand, games, shopping, news and education. One example of a potential application involves a consumer having the capability to plan a vacation through the use of a hand-held remote control and a television set. A personal travel agent will guide the user through the options and show motion video clips of the resort, hotel, facilities and so on. The system will capture the individual's preferences for services such as travel, shopping and movie "rental", providing customised services to each individual consumer. For example, utilising a shopping application, a consumer might be shown a pair of shoes which complements a dress that was purchased the day before.

One of our first projects for Ameritech, in 1992, was the development of the Ameritech Multimedia Mall – an interactive multimedia demonstration system which was used to convey the potential of such services to Ameritech senior management, potential content providers to the system and customers.



PROJECT SNAPSHOTS

Responding to the increasingly complex environment in which its customers operate, Reuters is equipping its financial information products with innovative user interfaces. Swift access to well-presented and accurate information enables traders using Reuters products to make more informed decisions with less margin for error. As part of our global account relationship with Reuters, Logica was asked to contribute advanced skills in human computer interaction to the analysis of how to design and build interfaces which are easy and intuitive to learn and operate, and which also give the Reuters range of products a consistent brand image.

Using geographic information systems and image processing technology, data collected from Earth

observation satellites is being used to produce sugar beet yield predictions up to four months ahead of harvest. This means that processing and marketing of sugar can be carried out more efficiently and at lower cost. British Sugar expects to save nearly £2 million each year using this new technology, which is sponsored by the British National Space Centre.

Using state-of-the-art speech recognition technology, Logica has supplied a system to Telia, Sweden's telecommunications provider, which will partly automate the directory enquiries service. The system is expected to pay for itself within a year, cutting administrative costs and reducing the length of time taken to deal with enquiries by 15 seconds per call for each of the 60 million calls Telia receives per year.

Bill Beckmann, manager of technology analysis and planning at Ameritech, describes Logica as their 'brain extension'. He explains, "Logica has provided us with the technology advice we need to design our multimedia system and service and to procure the technology we need to fulfil our objectives. We intend to be extremely responsive to our customers which means that we must be able to introduce and withdraw services quickly subject to market research feedback. A flexible system architecture is a prerequisite to achieve this. One of the reasons we work with Logica is because their independence allowed them to choose the best hardware and software for our needs. We are looking forward to an even closer working relationship in the future."

We currently provide consulting, software engineering and systems integration services to discrete efforts related to the Ameritech VIS programme. This work includes the high-level systems architecture of major system components, including the interface between what a television

viewer sees and the system components which allow it to operate. Logica is also working on defining and developing authoring tools which application developers will use to create an application (for example a shopping service); developing a toolkit which allows service providers to build their own software interface to the network; and defining and developing the overall interface through which the television viewers will operate.

As a part of the globalisation of multimedia knowledge within Logica, staff from Australia and the UK are working in North America. When those staff return to their offices, they will be able to use their knowledge throughout Logica's international network to service the rapidly increasing demand for multimedia skills amongst our customers.



For Ameritech, one of the regional telecommunications companies in the US, Logica is developing the software infrastructure to enable the delivery of interactive multimedia, entertainment and information services to customers across the Midwest.

The list below features many of the leading organisations with whom we have worked during the year.

Finance

Abbey National
 Al Bank Al Saudi Al Fransi
 Association for Payment Clearing Services
 Association Tripartite Bourses/SOFFEX
 Australia and New Zealand Banking Group
 Australian Stock Exchange
 Austrian Payment Systems Services
 BACS (Bankers Automated Clearing Services)
 Banca Commerciale Italiana
 Banca CRT
 Banca Popolare di Milano
 Banco De Oro
 Banco Santander, S.A.
 Bank Bali
 Bank Handlowy w Warszawie
 Bank Julius Baer & Company Limited
 Bank of Hawaii
 Bank of N.T. Butterfield
 Bank of Montreal
 Bank of the Philippines Islands
 Bank of Scotland
 Bank of Tokyo
 Bankenes Betalings Sentral A.S.
 Bankers Trust Company
 BankGiro Centrale BV
 Banque de Suez Nederland NV
 Banque Nationale de Paris
 Barclays Bank
 Baring Securities
 Bilbao Bizkaia Kutxa
 Bristol & West Building Society
 Caja Madrid
 Canadian Imperial Bank of Commerce
 Central Bank of Nigeria
 Central Bank of the Republic of Turkey
 Cetrel Luxembourg
 CHAPS and Town Clearing Company Limited
 Chase Manhattan Bank
 Chemical Bank
 CINVen
 Citibank
 Citicorp
 CLMI
 Clydesdale Bank
 Commonwealth Bank of Australia
 Computercentrum Bondsspaarbanken
 Copenhagen Stock Exchange
 Credit Agricole
 Creditanstalt
 Credito Bergamasco
 Credito Italiano

DB Vita
 ECHO
 Emirates Bank International
 Eufiserv
 Fidelity
 Fides Informatik
 First Alabama Bank
 First Interstate Bank
 First National Bank of Chicago
 First National Bank of Omaha
 First Security Service Company
 Girobank plc
 Global Asset Management
 General Portfolio Life Insurance PLC
 Gruppo Fondiaria
 Hoare Govett Securities Limited
 ICA Kort AB
 IMRO
 INASIM
 ING Bank
 Inter-American Investment Corporation
 International Petroleum Exchange of London
 Istituto Bancario San Paolo di Torino
 Jardine Fleming
 J.P. Morgan
 KBW Effectenbank B.V.
 KPMG Peat Marwick
 Lane Clark & Peacock
 Lippobank
 Lloyds Bank
 London Stock Exchange
 M&T Bank
 MEIE
 Merrill Lynch
 Milan Stock Exchange
 Midland Bank
 Mitsui Nevitt Capital Corporation
 Morgan Grenfell
 Morgan Guaranty Trust Company of New York
 National Australia Bank
 National & Provincial Building Society
 National Bank of Dubai
 National Westminster Bank
 NationsBank
 New York Life Insurance Company
 Nomura Research Institute
 Norwich Union Insurance Group
 Oslo Stock Exchange
 Oversea-Chinese Banking Corporation
 Peace Bank
 Posten AB
 Prudential Assurance Company
 Rabobank Nederland
 Riyadh Bank

Royal Bank of Canada
 Royal Bank of Scotland
 Saudi American Bank
 Saudi Cairo Bank
 Saudi Hollandi Bank
 Saudi Investment Bank
 Seceti
 SIGECO
 Société Générale
 Società Interbancaria per l'Automazione (SIA)
 Standard Chartered Bank
 State Bank of New South Wales
 The Bank of England
 The Bank of Nova Scotia
 The Exchange
 The Nikko Bank
 The Saudi Investment Bank
 The Stock Exchange of Hong Kong Limited
 Toro Assicurazioni
 TSB
 Unicaja
 Union Bancaire Privée
 Union Bank of Switzerland
 Union Discount
 United Saudi Commercial Bank
 VSB Groep
 Wachovia Corporate Services
 Westpac Banking Corporation
 W.I. Carr (Far East) Limited

Telecommunications

ABB Nera Limited
 Alcatel
 Ameritech
 Antenna Hungaria – Hungarian Radiocommunications Corporation
 Australian Broadcasting Corporation
 BT
 Cable & Wireless
 DDI Corporation
 DSC Communications Limited
 ENERGIS Communications Ltd
 Ericsson Telecommunications B.V.
 Fininvest
 GPT Limited
 GTE
 Hutchison Telecom
 iT (UK Post Office)
 Italtel
 Jersey Telecoms
 Mechanical-Copyright Protection Society Limited
 Mercury Communications Limited
 Motorola
 National Transcommunications Limited

Nokia Telecommunications
 Northern Telecom Europe Limited
 Omega TV/Telepiu
 Philips Telecom – Private Mobile Radio
 Philips Medical Systems
 PTT Post B.V.
 PTT Telecom
 Racal Network Services
 Radio-Austria AG
 Reuters Holdings PLC
 Selta
 SIP
 Telecom Finland
 Teleglobe Canada
 Telekurs
 Telia
 Telstra Corporation Limited
 The British Broadcasting Corporation
 Unisource Business Networks

Computing & Electronics

AT&T GIS Nederland
 Boston Technology Inc
 Bull Information Systems Limited
 Bull Italia
 Cognitronics
 Digital Equipment Corporation España S.A.
 Digital Equipment Co Limited
 Digital Equipment Hong Kong Limited
 Digital Equipment Italia
 Fulcrum Communications Limited
 Hewlett Packard
 Hitachi Europe Limited
 IBM (US)
 IBM Australia Limited
 IBM Italia
 IBM Nederland
 IBM United Kingdom Limited
 IBM United Kingdom Laboratories Limited
 Lucas Management Systems
 Olivetti
 Philips
 Ringwood Software Limited
 Siemens Nixdorf
 Specialized Electronic Services (Dulwich) Limited
 Stratus Computers Nederland
 Sun Microsystems Limited
 Tandem Computers Inc
 Tandem Computers Limited

Space

Aerospatiale
Alcatel Espace
CNES (Centre National d'Etudes Spatiales)
CRI A/S
DASA
Defence Research Agency
EUMETSAT
European Space Agency
EUTELSAT
Inmarsat
Matra-Marconi Space
Ministry of Defence
National Remote Sensing Centre Limited
The British National Space Centre

Government

AB Trav&Galopp
Australia Post
British Standards Institution
CCTA, the Government Centre for Information Systems
Cabinet Office
Central Statistical Office
Centrale Recherche Informatiedienst
Commission of the European Communities
Department of Economic Development
Department of Health
Department of Social Security
Department of the Environment (Air Quality Division)
Department of Trade and Industry
Department of Transport
Devon County Council
Devonport Management Limited
Dublin Corporation
Employment Department Group
English Nature
EUROCONTROL
European Free Trade Association
Eurostat
Färdtjänsten Stockholms Län
HM Customs and Excise
Horserace Totalisator Board
Information Technology Services Agency
ITEX (a business within Norfolk County Council)
Landelijk Bureau Arbeidsvoorziening
London Borough of Greenwich
Ministerie van Binnenlandse Zaken
Ministerie van Defensie
Ministerie van Justitie

Ministerie van Verkeer en Waterstaat
Ministerie Verkeer & Infrastructuur
Ministerie Vlaamse Gemeenschap
Ministry of Agriculture, Fisheries and Food
NHS Estates
Ordnance Survey
Provincie Groningen
Public Record Office
Regie der Gebouwen
Rijkswaterstaat
RIVM (National Institute of Public Health and Environmental Protection, Netherlands)
The Royal Hong Kong Jockey Club
The Scottish Office
The Valuation and Lands Agency
University of New South Wales
Universal Postal Union

Defence

British Aerospace
Defence Research Agency
Devonport Management Limited
Ferranti Thomson Sonar Systems
GEC Avionics Limited
Hunting Engineering Limited
IBM United Kingdom Limited
John Brown Engineers & Constructors Limited
Koninklijke Landmacht
Marconi Underwater Systems
Ministry of Defence
NATO
Normalair-Garrett
Racal Avionics
Royal Danish Navy
Vickers Shipbuilding and Engineering Limited
Westland Helicopters

Transport

Air Afrique
Air Niugini
Airline Management Support
Asiana Airlines
ATC (Azienda Trasporti Consorziali)
Austrian Airlines
Britannic Travel Ltd
British Airways Plc
CAAC
Civil Aviation Authority
Cyprus Airways
Deutsche BA
DHL
Eurowings AG
Gemeentelijk Vervoerbedrijf
Hollandse Signaalapparaten

London Transport Tendered Bus Division
NV Luchthaven Schiphol
NV Nederlandse Spoorwegen
Olympic Airways
Philippine Airlines, Inc.
Postkantoren B.V.
Rijks Luchtvaartdienst
South African Airways
Transport Industry Airline Services
Transmanche Link

Industry

Agip
Alenia
Algemene Sein Industrie
Allied Mills Limited
Aluminium Delfzijl
Antonio Merlone
BAT
Becton Dickinson Medical Products
Benetton
BOC
British Fermentation Products Limited
British Shoe
Corgi
DSM Transport Maatschappij
Deere & Company (European office)
Dunlop Limited
Electrische Nijverheids-Installaties
EMO
Fiat
Ford
Friesland Frico Domo
Guzzini
Hüls
ICI Paints
Iveco
J. Sainsbury plc
Merck Sharp & Dohme
Pirelli Cavi
Procordia Data System
PWA Grafische Papiere GmbH
Rover Group
RTZ Technical Services
Saint-Gobain
The Intercare Group plc
The Wellcome Foundation Ltd
The Whitbread Beer Company
Verenigde Bloemenveilingen Aalsmeer
VM Motori
Zeneca Specialities

Anglian Water
BP Chemicals
BP Exploration
British Gas plc
British Nuclear Fuels plc
Brunei Shell Group of Companies
Chevron UK Limited
Energie Delfland
Enichem Polimeri
ESKOM
Hydro-Electric
International Atomic Energy Authority (IAEA)
KSEPL
LASMO (Nederland) BV
London Electricity plc
National Power plc
National Rivers Authority
Netherlands Refining Company
North West Water Limited
Nuclear Electric Plc
NV Nederlandse Gasunie
Pacific Power
Petroleum Development Oman LLC
PowerGen plc
RAPL
RRP
Severn Trent Water
Shell Chemicals UK Limited
Shell International Trading
Shell Internationale Petroleum Maatschappij
Shell Italia
Shell Nederland Chemie
Shell UK Exploration and Production
Slovenský plynárenský priemysel
South Wales Electricity plc
Total Oil Marine plc
Tranzitní Plynovod
UK Nirex
Veba Oil Nederland B.V.
Water Board – Sydney, Illawarra, Blue Mountains
Yorkshire Water

Energy & Utilities

Acoser
Amerada Hess Limited
Amoco Netherlands Petr Co

Logica staff operate from offices around the globe. This year we are pleased to announce the establishment of offices in new geographic territories – New Zealand and the United Arab Emirates.



UK: London, Surrey, Cambridge, Aberdeen, Bristol, Manchester
Netherlands: Rotterdam, Woerden, Groningen
Germany: Frankfurt
Switzerland: Zurich, Geneva
Belgium: Brussels
Sweden: Stockholm
Italy: Milan, Bologna, Turin, Ivrea

Europe



Saudi Arabia: Riyadh*
United Arab Emirates: Dubai

Middle East



Australia: Melbourne, Sydney
New Zealand: Wellington
Hong Kong
Malaysia: Kuala Lumpur
Singapore
Japan: Tokyo*

Asia Pacific



USA: Boston, New York, Fort Lauderdale, San Francisco, Los Angeles, Dallas, Williamsburg, Houston
Canada: Toronto

North America

* Partner

Directors

P G Bosonnet (non-executive chairman)
 M P Read (managing director and chief executive)
 D Craig
 A F Given
 A L Karney
 C S F Preddy
 C G Rowland
 P A B Hughes (non-executive)
 L A Taylor (non-executive)
 P J Vinken (non-executive)

Non-executive chairman

Paul Bosonnet, 62
 He joined the board as non-executive director in 1986 and assumed the role of chairman in November 1990. He is also non-executive deputy chairman of BT.

Managing director and chief executive

Martin Read, 44
 He joined the board on 28 July 1993. He was previously managing director of Marconi Radar and Control Systems Limited, and supervisory managing director of EASAMS, GEC-Marconi Research Centre, GEC Computer Services and GEC-Marconi Software Systems.

Executive directors

Duncan Craig, 45
 He became a director in 1991 and is responsible for continental Europe. He joined Logica in 1971 and has been based in Rotterdam since 1974.

Andrew Given, 46
 He joined Logica in 1990 as director of finance and planning and was also appointed company secretary on 30 June 1993.

Andrew Karney, 52
 He joined Logica in 1973 and has served on the board since 1986. As head of corporate development he is responsible for international business development activities including establishing joint ventures.

Cliff Preddy, 47
 He is chief executive of Logica UK Limited. He joined Logica in 1969 and was appointed to the board in 1987.

Colin Rowland, 50
 Having joined the company in 1971, he has served on the board since 1982 and is chairman of Logica UK Limited.

Non-executive directors

Philip Hughes, 58
 He retired as chairman in November 1990 and became a non-executive director from that date, having co-founded Logica in 1969. He is on the board of Thames and Hudson Limited.

Len Taylor, 59
 One of Logica's founders in 1969, he retired as managing director and became a non-executive director in 1987.

Pierre Vinken, 66
 Having served as chairman of the board of directors of Logica BV since 1985, he joined the board of Logica plc in 1990. He is chairman of Reed Elsevier plc.

Registered office

68 Newman Street
 London W1A 4SE
 Registered number: 1631639

Registrars

Independent Registrars Group
 Broseley House
 Newlands Drive
 Witham
 Essex CM8 2UL

The Directors present their report together with the accounts of the Company and its subsidiaries for the year ended 30 June 1994. These will be laid before the shareholders at the Annual General Meeting to be held on 4 November 1994.

Principal Activities

Logica companies throughout the year were in the business of providing information technology services, concentrating on:

- the marketing, design, production, integration and maintenance of custom built software and associated 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.

Results and Dividends

Turnover amounted to £228.8 million, compared with £217.4 million for the previous year, representing an increase of 5.2%. Profit after tax was £8.5 million compared with a profit after tax of £5.3 million for the previous year, an increase of 61.1%. Earnings per share were 14.0p (1993 – 8.7p), an increase of 61.0%.

Net cash balances at year end stood at £15.3 million (1993 – £17.0 million) representing a decline of £1.7 million, after investing £2.5 million in acquisitions.

The Directors are recommending a final dividend of 3.60p per share net, making 5.00p per share net for the year, up 25.0% on the previous year. If approved, the final dividend will be paid on 7 November 1994 to eligible shareholders on the register at close of business on 13 October 1994.

Retained profits amounting to £5.4 million have been carried to reserves (1993: £2.8 million).

Business Review

A review of the development of the business during the year is given on pages 1 to 5. Included in the review are references to Logica's future prospects.

Acquisitions

On 29 October 1993 Logica BV acquired Fray Data International BV for a consideration of £0.1 million paid in cash, details of which are given in note 12 to the accounts.

On 2 May 1994 Logica North America Inc. acquired the business of Precision Software Corporation for an initial consideration of £2.4 million paid in cash, details of which are given in note 12 to the accounts.

On 14 September 1994 Logica North America Inc. announced the purchase subject to conditions, of the operations and certain assets of the Software Division of Synercom Technology Inc. for £2.6 million cash.

The division's principal obligations and certain other liabilities were also assumed, estimated at £1.3 million.

Research and Development

During the year Logica invested £5.7 million in research and development (1993 – £4.6 million). These figures are net of funding by European research institutions and other clients. No development costs have been capitalised.

Directors

During the year, there have been the following changes in the composition of the board:

Dr Martin Read was appointed as a Director on 28 July 1993. On 16 August 1993, David Mann was appointed Deputy Chairman and Dr Martin Read succeeded him as Managing Director and Chief Executive.

On 31 March 1994, David Mann resigned as a Director.

The interests of the Directors in the shares of the Company are shown below:

	30 June 1994		30 June 1993	
	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial
D Craig	23,939	0	23,939	0
A L Karney	52,922	0	44,339	0
C S F Preddy	41,477	0	32,541	0
C G Rowland	64,933	135,708	62,902	135,708
P A B Hughes	1,751,600	601,375	1,851,600	601,375
L A Taylor	1,074,600	151,512	1,300,000	196,112

At 30 June 1994, the Employee Share Ownership Plan Trust owned 1,194,419 shares. By virtue of their participation in the Long Term Bonus Scheme each of the Directors is also deemed to be interested, as a potential beneficiary in these shares.

Options to subscribe for ordinary shares of the Company granted to the Directors during the year are shown in note 4 to the accounts.

On 11 July 1994 the Employee Share Ownership Plan Trust purchased 105,000 shares and on 29 July 1994, and 2 September 1994 the holding of the Trust reduced by 2,059 shares, and 5,355 shares respectively following the exercise of options by employees.

There have been no other changes in the Directors' interests in the shares of the Company or in the share options granted by the Company to the Directors between the end of the financial year and the signing of the report and accounts.

Dr Martin Read has a service contract for an initial fixed period of three years from 27 July 1993 and thereafter subject to termination by one year's notice by the Company or three months notice by Dr Martin Read. No other Director has a service contract with an unexpired period of more than one year. 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.

Corporate Governance

The Directors are pleased to confirm that, in accordance with the continuing obligation contained in the Admission of Securities to Listing of the London Stock Exchange, in their opinion, as at 30 June 1994, the Company complies with all the provisions of the Code of Best Practice published by the Committee on the Financial Aspects of Corporate Governance (the Cadbury Report) insofar as it has been defined. The Committee has yet to issue definitive guidelines in respect of Directors responsibilities for systems and standards dealing with internal controls and the going concern concept.

The audit committee, chaired by Paul Bosonnet, comprises Philip Hughes and Len Taylor. It meets at least twice a year and its terms of reference include the review of the annual and interim financial statements, the accounting policies of the Company and its subsidiaries, internal management and financial controls. The chief executive and director of finance and planning attend the meetings at the request of the committee.

The remuneration committee during the year comprised Paul Bosonnet, Philip Hughes, Len Taylor and Dr Martin Read. Its key role is to determine the appropriate levels of remuneration for the Executive Directors and Chief Executives of the Company's subsidiaries. Subsequent to the year end Len Taylor resigned as a member of the committee.

The Company's auditors, Price Waterhouse, have reviewed our compliance with the specific matters in the Code which the Cadbury Committee recommended that the auditors should review. They have reported to the board that they are of the opinion that it is appropriate for the Directors to make the statement that the Company complies with those aspects of the code.

Substantial Holdings

The Directors' interests are described above. In addition, at 14 September 1994 the Company had been notified that the following were interested, in 3% or more of the Company's share capital:

Name	No of Shares	Percentage
Abbey Life Investment Services Limited	2,209,332	3.57
Foreign and Colonial Investment plc	1,965,000	3.18
Prudential Corporation Group of Companies	1,941,932	3.14
British Airways Pension Fund	1,863,888	3.02

Disabled Persons

It is Logica'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 their training and career development are encouraged.

Employee Participation

It is Logica's 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.

Fixed Assets

The changes in the fixed assets of the Company and its subsidiaries are disclosed in notes 10 and 11 to the accounts.

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

Resolution No. 5 in the Notice of the forthcoming Annual General Meeting proposes the renewal, in accordance with Section 80 of the Companies Act 1985, for the period expiring on the date of the 1995 Annual General Meeting, of the Directors' authority to allot the authorised but as yet unissued share capital of the Company at the date of this year's Annual General Meeting. The maximum number of shares subject to such an authority would be 18,218,053, representing 29.5% of the Company's total issued share capital at the date of the Notice of the meeting. The Directors do not have any present intention of exercising this authority, other than in connection with the Company's employee share schemes.

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 is given in General Meeting. The Directors consider that it is in the best interests of the Company that the relevant authority given at the Annual General Meeting in 1993 should be renewed in similar terms. Accordingly, a Special Resolution to this effect is proposed as Resolution No 6 in the Notice of the Annual General Meeting. The proposed authority expires at the date of the 1995 Annual General Meeting and permits the Directors during this period to issue equity securities up to an aggregate nominal value of £300,000 (just under 5% of the issued share capital) without first offering them to existing shareholders.

By order of the board

A F Given
Secretary
14 September 1994

Consolidated Profit and Loss Account

<i>For year ended 30 June</i>	<i>Note</i>	1994 £'000	1993 £'000
TURNOVER	1	228,848	217,434
Adjustment to exclude turnover of associated undertakings		(18,896)	(20,841)
Consolidated turnover		209,952	196,593
OPERATING PROFIT	2	13,048	8,084
Interest	5	495	942
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		13,543	9,026
Taxation on ordinary activities	6	(5,058)	(3,758)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		8,485	5,268
Dividends paid and proposed	7	(3,039)	(2,450)
Retained profit for the year	21	5,446	2,818
EARNINGS PER SHARE	9	14.0p	8.7p
DIVIDENDS PER SHARE	7	5.0p	4.0p

Statement of Total Recognised Gains and Losses

<i>For year ended 30 June</i>	<i>Note</i>	1994 £'000	1993 £'000
Profit attributable to shareholders	21	8,485	5,268
Currency translation differences arising on foreign currency net investments	21	151	(485)
Total gains and losses relating to the year		8,636	4,783
Prior year adjustment	17	0	(2,332)
Total gains and losses recognised since last annual report		8,636	2,451

All gains and losses recognised above are based on historical costs and arise from continuing operations.

Consolidated Balance Sheet

<i>At 30 June</i>	<i>Note</i>	1994 £'000	1994 £'000	1993 £'000	1993 £'000
FIXED ASSETS					
Tangible assets	10	17,720		18,019	
Investments	11	2,222		2,077	
		19,942		20,096	
CURRENT ASSETS					
Debtors	14	58,654		45,350	
Cash at bank and in hand		17,205		20,918	
		75,859		66,268	
CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR					
Bank loans and overdrafts		(1,859)		(3,955)	
Other	15	(43,106)		(32,941)	
		(44,965)		(36,896)	
NET CURRENT ASSETS		30,894		29,372	
TOTAL ASSETS LESS CURRENT LIABILITIES		50,836		49,468	
Creditors – amounts falling due after more than one year	16		(365)		(1,251)
Provisions for liabilities and charges	17		(1,539)		(1,679)
NET ASSETS		48,932		46,538	
CAPITAL AND RESERVES					
Share capital	20		6,178		6,152
Share premium account	21		11,565		11,092
Special reserve	21		143		143
Other reserves	21		2,690		2,605
Profit and loss account	21		28,356		26,546
SHAREHOLDERS' FUNDS			48,932		46,538

Dr M P Read
A F Given
Directors
14 September 1994

Consolidated Cash Flow Statement

<i>For year ended 30 June</i>	<i>Note</i>	1994 £'000	1993 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	22	11,670	10,506
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		741	1,648
Interest paid		(184)	(658)
Interest element of finance lease rental payments		(62)	(48)
Dividend received from associated undertaking		172	0
Dividends paid to shareholders		(2,543)	(2,283)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(1,876)	(1,341)
TAXATION			
United Kingdom corporation tax paid		(2,013)	(1,222)
Overseas tax paid		(1,983)	547
TAX PAID		(3,996)	(675)
INVESTING ACTIVITIES			
Purchase of investments	11	(263)	0
Purchases of tangible assets	10	(4,224)	(3,042)
Advance to Employee Share Ownership Plan Trust	14	(1,394)	(543)
Sales of tangible assets		40	70
Purchase of business undertakings	12	(2,456)	0
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(8,297)	(3,515)
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(2,499)	4,975
FINANCING			
Shares issued (net of expenses)		499	56
Short term loans	23	0	(8,087)
Short term deposits	23	4,646	(639)
Capital element of finance lease rental payments		(93)	(194)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING		5,052	(8,864)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	23	2,553	(3,889)

Company Balance Sheet

<i>At 30 June</i>	<i>Note</i>	1994 £'000	1994 £'000	1993 £'000	1993 £'000
FIXED ASSETS – Investments	11		44,234		44,187
CURRENT ASSETS					
Debtors	14	3,285		3,566	
Cash at bank and in hand		2,811		9	
		<u>6,096</u>		<u>3,575</u>	
CREDITORS – AMOUNTS FALLING DUE					
WITHIN ONE YEAR	15	(5,181)		(1,931)	
NET CURRENT ASSETS			915		1,644
NET ASSETS			45,149		45,831
CAPITAL AND RESERVES					
Share capital	20		6,178		6,152
Share premium account	21		11,565		11,092
Special reserve	21		23,261		23,261
Profit and loss account	21		4,145		5,326
SHAREHOLDERS' FUNDS			45,149		45,831

Dr M P Read
A F Given
Directors
14 September 1994

1 Segmental Information

a) GEOGRAPHIC AREAS – analysis by location of operations

	Total turnover		Inter-segment turnover		External turnover	
	1994	1993	1994	1993	1994	1993
	£'000	£'000	£'000	£'000	£'000	£'000
United Kingdom*	138,988	132,823	(5,099)	(2,337)	133,889	130,486
Continental Europe*	54,598	55,292	(5,072)	(4,190)	49,526	51,102
North America	34,650	29,138	(4,143)	(7,214)	30,507	21,924
Asia Pacific	15,137	14,042	(211)	(120)	14,926	13,922
	243,373	231,295	(14,525)	(13,861)	228,848	217,434
Less: associated undertakings	19,160	21,030	(264)	(189)	18,896	20,841
Consolidated turnover	224,213	210,265	(14,261)	(13,672)	209,952	196,593

	Net assets		Profit before taxation	
	1994	1993	1994	1993
	£'000	£'000	£'000	£'000
United Kingdom*	27,401	24,927	9,599	9,235
Continental Europe*	12,043	9,705	3,687	2,610
North America	(509)	(1,370)	283	(2,658)
Asia Pacific	(855)	(219)	(314)	(322)
	38,080	33,043	13,255	8,865
Less: third party share of associated undertakings	(2,308)	(1,778)	(207)	(781)
Total segment	35,772	31,265	13,048	8,084
Cash less bank borrowings/net interest	15,346	16,963	495	942
Dividends proposed	(2,186)	(1,690)	–	–
Net assets/profit before taxation	48,932	46,538	13,543	9,026

b) GEOGRAPHIC MARKETS – analysis by location of client

	Turnover	
	1994	1993
	£'000	£'000
United Kingdom*	115,551	112,285
Continental Europe*	62,780	64,136
North America	28,784	20,579
Asia Pacific	21,733	20,434
Turnover to third parties	228,848	217,434
Less: associated undertakings	18,896	20,841
Consolidated turnover	209,952	196,593

*includes associated undertakings

In the opinion of the directors the Group operated only one class of business throughout the year, that of the provision of information technology services.

Acquisitions made during the year had no material effect on turnover or profit before taxation.

2 Operating Profit

	Note	1994 £'000	1993 £'000
CONSOLIDATED TURNOVER		209,952	196,593
OPERATING COSTS			
Materials and other external charges		41,170	40,301
Staff costs	3	110,235	103,268
Depreciation		4,344	4,661
Loss on disposal of fixed assets		129	24
Auditors' remuneration and expenses		254	279
Fees paid to auditors' for non-audit related work (UK)		98	87
Fees paid to auditors' for non-audit related work (Overseas)		94	76
Hire of plant and machinery		1,209	1,350
Operating lease rentals		12,280	12,988
Other operating charges		27,294	26,116
		197,107	189,150
Share of profit of associated undertakings		203	641
OPERATING PROFIT		13,048	8,084

3 Staff

	1994 Number	1993 Number
STAFF NUMBERS		
Average staff numbers employed during the year were based as follows:		
United Kingdom	2,131	2,049
Continental Europe	687	783
North America	411	400
Asia Pacific	187	211
TOTAL INCLUDING ASSOCIATED UNDERTAKINGS	3,416	3,443
Total staff numbers at 30 June	3,387	3,425

The average number of staff employed worldwide during the year, excluding associated undertakings, was 3,041 compared with 3,078 in 1993.

	£'000	£'000
STAFF COSTS		
Wages and salaries	96,764	90,491
Social security costs	9,010	8,439
Other pension costs	4,461	4,338
	110,235	103,268

There are voluntary pension schemes in the UK, Netherlands, Belgium, Hong Kong and Australia, all of which are defined contribution schemes. The defined contributions consist of a fixed percentage of salary and voluntary contributions. There are no unfunded liabilities in these schemes.

4 Directors

	1994 £'000	1993 £'000
DIRECTORS		
Directors' emoluments including benefits in kind	1,123	706
Performance related bonus	155	18
Pension contributions	144	121
	1,422	845
Included in the above are the emoluments of:		
the chairman (non-executive)		
Directors' emoluments including benefits in kind	33	33
the highest paid director		
Directors' emoluments including benefits in kind	94	115
Performance related bonus	0	4
Pension contributions	44	47
Contractual termination payment	160	0
	298	166

The directors participate in a performance related bonus scheme, based on the Group achieving financial targets established by the remuneration committee. The costs of the bonus are accrued for within directors' remuneration.

The table shows the number of directors (other than the chairman and the highest paid director, including those who worked wholly or mainly outside the United Kingdom during the year) whose remuneration excluding pension contributions was within the following bands.

	1994	1993		1994	1993
£10,001 – £15,000	2	3	£115,001 – £120,000	–	3
£15,001 – £20,000	1	–	£120,001 – £125,000	1	–
£85,001 – £90,000	–	1	£150,001 – £155,000	2	–
£90,001 – £95,000	–	1	£160,001 – £165,000	1	–
£95,001 – £100,000	1	–	£240,001 – £245,000	1	–

Directors' Share Options

	Options held at 1 July 1993	Options granted during the year at 252p	Options granted during the year at 256p	Options exercised during the year at 149p	Options exercised during the year at 151p	Options exercised during the year at 155p	Options held at 30 June 1994	Weighted average exercise price	Market price at date of exercise	Earliest date by which all unexercisable options become exercisable
M P Read	0	97,000					97,000	252		23/09/96
D Craig	55,159			(2,751)	(7,408)		45,000	163	252	29/10/95
A F Given	69,438						69,438	224		01/02/98
A L Karney	101,561		2,668		(25,000)		79,229	230	306	01/02/99
C S F Preddy	106,561		2,668		(20,000)		89,229	223	284	01/02/99
C G Rowland	121,561		2,668		(30,000)		94,229	227	284	01/02/99
P A Hughes	35,000						35,000	275		27/10/90
Total	489,280	97,000	8,004	(2,751)	(7,408)	(75,000)	509,125			
Options by exercise price										
149p	2,751			(2,751)			0			
151p	7,408				(7,408)		0			
153p	10,104						10,104			
155p	95,000					(75,000)	20,000			
166p	6,369						6,369			
169p	155,000						155,000			
200p	7,648						7,648			
240p	60,000						60,000			
252p	0	97,000					97,000			
256p	0		8,004				8,004			
275p	35,000						35,000			
295p	110,000						110,000			
Total	489,280	97,000	8,004	(2,751)	(7,408)	(75,000)	509,125			

The market price of the shares at 30 June 1994 was 267p (1993 – 258p).

4 Directors (continued)

In October 1992 a Long Term Bonus scheme was established by the Company for Executive Directors and certain senior managers based on the increase in the open market share price. Payments made under this scheme cannot normally be made until the completion of the first three year period. The amounts payable under the scheme are provided in the accounts on an annual basis in as much as they are not hedged by the purchase of shares in the company by the Employee Share Ownership Plan Trust. Of the Employee Share Ownership Plan Trusts holding of 1,194,419 shares, 248,000 shares are held for this purpose. At 30 June 1994 the benefit attributable to Directors which will be shown as Directors' remuneration when paid in respect of the financial year was £164,400 (1993: £74,100). The total amount attributable to Directors under the scheme at 30 June 1994 was £223,300 (30 June 1993: £74,100).

Directors' Long Term Bonus units

	Units held at 1 July 1993	Units granted during the year at 52p	Units granted during the year at 171p	Units held at 30 June 1994	Weighted average grant price
M P Read	0	3,000	150,000	153,000	169
D Craig	50,000	0	0	50,000	245
A F Given	70,000	0	0	70,000	245
A L Karney	50,000	0	0	50,000	245
C S F Preddy	70,000	0	0	70,000	245
C G Rowland	70,000	0	0	70,000	245
Total	310,000	3,000	150,000	463,000	

Long term bonus units by exercise price

52p	0	3,000	0	3,000
171p	0	0	150,000	150,000
220p	155,000	0	0	155,000
270p	155,000	0	0	155,000
Total	310,000	3,000	150,000	463,000

5 Interest

	1994 £'000	1993 £'000
Interest receivable	741	1,648
Interest payable and other financing costs	(246)	(706)
	495	942

6 Taxation

	1994 £'000	1993 £'000
UNITED KINGDOM TAXATION		
Corporation tax (at the rate of 33%)	3,230	2,633
Double taxation relief	(304)	(174)
Deferred taxation	(81)	311
	2,845	2,770
OVERSEAS TAXATION		
Overseas taxes	2,117	836
Deferred taxation	(12)	(75)
	2,105	761
Associated undertakings	108	227
TAX ON PROFIT ON ORDINARY ACTIVITIES	5,058	3,758

There are substantial unutilised tax losses which may be available for relief against profits of certain subsidiary undertakings in future years.

7 Dividends Paid and Proposed

	1994 £'000	1993 £'000
Interim dividend of 1.40p (1993 – 1.25p)	853	760
Final dividend of 3.60p (1993 – 2.75p)	2,186	1,690
TOTAL DIVIDEND	3,039	2,450

Mourant & Co Trustees Limited, the Trustee of the Logica Employee Share Ownership Plan Trust, has agreed under the Trust Deed dated 26 September 1990 to waive, at the Company's discretion, all rights to any future dividends which may be payable on any shares in the Company held in the Trust, save 0.01p per share. Such waivers of dividends payable during the year ended 30 June 1994 amounted to £30,963 (1993: £20,677).

8 Profit attributable to Members of the Holding Company

	1994 £'000	1993 £'000
Dealt with in the accounts of the Company	1,858	2,510

As allowed by Section 230(1) of the Companies Act 1985, the Company has not presented its own profit and loss account.

9 Earnings per Share

Earnings per share of 14.0p are based on the profit after tax of £8,485,000 and on a weighted average of 60,743,425 shares. Last year's earnings per share of 8.7p were based on the profit after tax of £5,268,000 and on a weighted average of 60,727,342 shares.

10 Tangible Assets

	Freehold Land and Buildings £'000	Short Lease holds £'000	Equipment and Plant £'000	Total £'000
COST				
1 July 1993	3,429	9,735	29,901	43,065
Translation differences	(9)	8	(61)	(62)
Additions	400	199	3,625	4,224
Disposals	0	(191)	(1,847)	(2,038)
30 June 1994	3,820	9,751	31,618	45,189
DEPRECIATION				
1 July 1993	400	4,318	20,328	25,046
Translation differences	0	23	(75)	(52)
Provided	27	659	3,658	4,344
Released on disposals	0	(191)	(1,678)	(1,869)
30 June 1994	427	4,809	22,233	27,469
NET BOOK VALUE AT 30 JUNE 1994	3,393	4,942	9,385	17,720
Net book value at 30 June 1993	3,029	5,417	9,573	18,019

The net book value includes £122,000 (1993: £279,000) in respect of assets being acquired under finance leases, comprising costs of £1,267,000 (1993: £1,311,000) and depreciation thereon of £1,145,000 (1993: £1,032,000). The depreciation charge for the year in respect of capitalised leases was £150,000 (1993: £152,000) and the finance charges were £62,000 (1993: £48,000).

11 Investments in Associated Undertakings and Trade Investments

GROUP	Associated Undertakings				
	Shares at cost £'000	Retained Profits £'000	Total £'000	Trade Investments £'000	Total £'000
1 July 1993	864	1,043	1,907	170	2,077
Translation differences	0	(40)	(40)	0	(40)
Additions	47	0	47	216	263
Dividends received	0	(172)	(172)	0	(172)
Share of retained profit for the year	0	94	94	0	94
30 JUNE 1994	911	925	1,836	386	2,222

All investments are unlisted.

11 Investments in Associated Undertakings and Trade Investments (continued)

COMPANY	Subsidiary companies			Associated Undertakings £'000	Total £'000
	Shares £'000	Loans £'000	Total £'000		
COST					
1 July 1993	14,245	35,527	49,772	864	50,636
Additions	0	0	0	47	47
30 JUNE 1994	14,245	35,527	49,772	911	50,683
PROVISIONS					
At 1 July 1993 and 30 June 1994	(787)	(5,662)	(6,449)	0	(6,449)
NET BOOK VALUE AT 30 JUNE 1994	13,458	29,865	43,323	911	44,234
Net book value at 30 June 1993	13,458	29,865	43,323	864	44,187

The addition to investments in associated undertakings represents an increase from 40% to 45% of the Group and Company's holding in Logicasiel SpA.

12 Acquisitions

On 2 May 1994 Logica North America Inc. acquired the business of Precision Software Corporation for an initial consideration of £2,340,000. The balance sheet of Precision Software Corporation on acquisition was as follows.

	Book value at 2 May 1994 £'000	Fair value adjustments £'000	Fair value at acquisition £'000
Intangible assets	1,381	(1,381)	0
Tangible assets	296	68	364
Work in progress	66	0	66
Trade debtors	87	(45)	42
Creditors – amounts falling due within one year	(217)	(198)	(415)
Net assets acquired	1,613	(1,556)	57
Goodwill			3,582
Consideration			3,639
Satisfied by:			
Cash			2,200
Related costs of acquisition			140
Deferred consideration			1,299
			3,639

The fair value adjustments relate to the revaluation of a freehold property, a debtor provision, and the alignment of accounting policies with those of the Group.

The deferred consideration is payable upon the achievement of certain minimum targets. This represents the minimum amount that is reasonably expected to be payable. Further performance related payments up to a maximum of £4,545,000 may become payable between the date of acquisition and June 1998.

Initial estimates of the deferred consideration will be revised as further and more certain information becomes available with corresponding adjustments to goodwill.

On 29 October 1993, Logica BV acquired Fray Data International BV for a consideration of £116,000. After fair value adjustments, goodwill of £120,000 has been written off to reserves.

13 Capital Commitments

	1994 £'000	1993 £'000
Capital expenditure authorised and contracted	259	46
Capital expenditure authorised but not contracted	734	605

14 Debtors

	1994 £'000	1993 £'000
GROUP		
Trade debtors	33,444	24,189
Amounts owed by associated undertakings	457	198
Other debtors	1,154	1,806
Advance to Employee Share Ownership Plan Trust	2,880	1,486
Prepayments and accrued income	4,520	4,437
Amounts recoverable on contracts	15,415	11,485
Deferred taxation	200	104
Taxation recoverable	524	1,431
Advance corporation tax	60	214
	58,654	45,350
COMPANY		
Amounts owed by subsidiary undertakings	0	2,216
Other debtors	3,225	1,136
Advance corporation tax	60	214
	3,285	3,566

15 Creditors

	1994 £'000	1993 £'000
<i>Amounts falling due within one year:</i>		
GROUP		
Payments received on account	5,059	6,076
Trade creditors	10,429	6,114
Accruals and other creditors	14,682	9,033
Amounts owed to associated undertakings	32	33
Finance lease liabilities	103	159
Taxation and other state creditors	9,855	9,187
Advance corporation tax	760	649
Dividends proposed	2,186	1,690
	43,106	32,941
COMPANY		
Amounts owed to subsidiary undertakings	2,900	0
Accruals and other creditors	35	27
Advance corporation tax	60	214
Dividends proposed	2,186	1,690
	5,181	1,931

16 Creditors

	1994 £'000	1993 £'000
<i>Amounts falling due after more than one year:</i>		
Finance lease liabilities over one and under five years	8	153
Other creditors	357	1,098
	365	1,251

17 Provisions for Liabilities and Charges

	1994 £'000	1993 £'000
Post retirement benefits	1,539	1,679

In line with the requirements of the Urgent Issues Task Force Abstract No. 6, the Group accounts fully for certain post-retirement benefits (accounted for as a prior year adjustment in 1993). The Group maintains insurance policies with Confederation Life Insurance Company which are expected to, at a minimum, cover the costs of these benefits.

Depending on investment returns and the period over which the premiums are paid, the Group may receive additional returns. The annual charge to the profit and loss account in respect of current employees is £31,000.

The movement in the provision during the year represents the additional premiums paid of £276,000 less £196,000 charged to the profit and loss account in respect of current employees and beneficiaries who left the company during the year, and a favourable exchange movement of £60,000.

18 Deferred Taxation

	1994 £'000	1993 £'000
<i>Provision is made in the accounts for deferred taxation as follows:</i>		
Accelerated capital allowances	169	243
Other short term timing differences	(340)	(333)
Foreign subsidiary undertakings	(29)	(14)
	(200)	(104)
1 July 1993	(104)	(348)
Translation differences	(3)	8
(Release)/Provision in respect of current year	(93)	236
30 JUNE 1994	(200)	(104)

The deferred taxation asset is included in the debtors note 14.

19 Other Financial Commitments

At 30 June 1994 there were annual commitments under operating leases as follows:

	1994		1993	
	<i>Land and Buildings £'000</i>	<i>Other £'000</i>	<i>Land and Buildings £'000</i>	<i>Other £'000</i>
Expiring within one year	2,476	846	1,813	1,408
Expiring in the second to fifth years	3,238	3,041	5,190	2,915
Expiring after five years	5,239	0	5,297	0
	10,953	3,887	12,300	4,323

20 Called Up Share Capital

	1994 £'000	1993 £'000
Authorised share capital 80,000,000 Ordinary Shares of 10p each	8,000	8,000
Called up share capital 61,779,627 Ordinary Shares of 10p each	<u>6,178</u>	<u>6,152</u>

During the year 261,850 shares were issued under share option schemes as follows:

Granted	Exercise price (pence) per share	Number Exercised
1985	149	10,953
1985	165	2,181
1986	155	117,500
1986	186	2,096
1986	206	30,000
1986	207	8,695
1987	275	360
1988	240	42,000
1990	166	14,304
1990	295	26,500
1991	200	3,746
1992	153	3,515
		<u>261,850</u>

During the year 915,837 options were granted over both unissued and existing shares under employee share option schemes at prices ranging from 252p to 284p and exercisable from 1994 to 2004. Options granted under SAYE schemes were granted at a 10% discount to market price. Discretionary options were granted at market price.

At 30 June 1994 there were 4,352,970 options which had been granted under employee share option schemes at prices ranging from 149p to 382p and exercisable from 1994 to 2004.

21 Shareholders' Funds

	Share Capital £'000	Share premium account £'000	Special reserve £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
GROUP						
1 July 1993	6,152	11,092	143	2,605	26,546	46,538
Exchange differences				(10)	161	151
Issue of share capital	26					26
Share premium account		473				473
Goodwill					(3,702)	(3,702)
Profit attributable to shareholders					8,485	8,485
Dividends paid and proposed					(3,039)	(3,039)
Transfers to other reserves				95	(95)	0
30 JUNE 1994	6,178	11,565	143	2,690	28,356	48,932
COMPANY						
1 July 1993	6,152	11,092	23,261	0	5,326	45,831
Issue of share capital	26					26
Share premium account		473				473
Profit attributable to shareholders					1,858	1,858
Dividends paid and proposed					(3,039)	(3,039)
30 JUNE 1994	6,178	11,565	23,261	0	4,145	45,149

The cumulative amount of goodwill written off to reserves since 1 July 1990 amounts to £5,288,000 (1993: £1,586,000).

22 Net Cash Inflow from Operating Activities

	1994 £'000	1993 £'000
Operating profit	13,048	8,084
Less: Share of profits of associated undertakings	(203)	(641)
Add: Depreciation and loss on disposal of fixed assets	4,473	4,685
Debtors – (increase)/decrease	(12,610)	4,224
Creditors – increase/(decrease)	6,962	(5,846)
	11,670	10,506

Movements in debtors and creditors do not correspond to the change in balance sheet amounts due to the effects of retranslating the opening net assets of overseas subsidiary undertakings at closing exchange rates.

23 Analysis of Cash Balances

	Balance at 1 July 1993 £'000	Cash inflow/ (outflow) £'000	Exchange Differences £'000	Balance at 30 June 1994 £'000
Cash at bank and in hand	16,435	485	285	17,205
Bank loans and overdrafts	(3,955)	2,068	28	(1,859)
Total cash and cash equivalents	12,480	2,553	313	15,346
Short term bank loans	0	0	0	0
Short term deposits	4,483	(4,646)	163	0
	16,963	(2,093)	476	15,346

Cash and cash equivalents represent balances net of advances that are within three months of maturity at the date of their inception.

Short term bank loans and deposits are for a fixed term of three months or more at the date of their inception.

24 Contingent Liabilities

Subsidiary undertakings have provided indemnities to their bankers in support of performance bonds and guarantees amounting to £7,222,000 (1993 – £8,107,000).

25 Principal Operating Subsidiary Undertakings

Logica UK Limited (England)	Logica North America Inc (USA)*
Logica BV (Netherlands)*	Logica Pty Limited (Australia)*
Logica GmbH (Germany)*	Logica Limited (Hong Kong)*
Logica Informatik AG (Switzerland)*	Logica Sdn Bhd (Malaysia)*
Logica SA (Belgium)*	– formerly Logica Technology Services Sdn Bhd
Logica Svenska AB (Sweden)*	Logica Pte Limited (Singapore)*

All subsidiaries are wholly owned and principally operate in their country of incorporation.

*The shareholdings in these companies are held by a wholly owned subsidiary of the parent undertaking.

26 Associated Undertakings

Logicasiel SpA (Italy) is owned 55% by Data Management SpA and 45% by Logica, which holds 613,642 ordinary shares of 1,000 lire each.

Speedwing Logica Limited (England) is owned 51% by British Airways and 49% by Logica, which holds 4,900 ordinary B shares of £1 each.

Associates principally operate in their country of origin.

1 Basis of Accounting

The accounts are prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards. They are the result of the consolidation of the accounts of the Company and its subsidiary undertakings and also include the relevant share of the results of associated undertakings. The group accounting policies conform with applicable UK accounting standards and, when necessary, adjustment is made to the statutory accounts of overseas subsidiary undertakings in order to present the group accounts on a consistent basis.

2 Turnover

Turnover represents the value of work done for clients including attributable profit and after adjusting for all foreseeable future losses.

3 Recognition of Profits

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.

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.

4 Amounts Recoverable on Contracts

Amounts recoverable on contracts represent turnover which has not yet been invoiced to clients. Such amounts are separately disclosed within Debtors.

The valuation of amounts recoverable on fixed price contracts is adjusted to take up profit to date or foreseeable losses in accordance with the accounting policy for recognition of profits.

Other amounts recoverable on contracts are valued at the lower of cost or estimated net realisable value.

Cost comprises:

- professional amounts recoverable 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 result in the production of an identifiable, saleable product.

6 Depreciation

Depreciation is provided at rates calculated to write down the cost of tangible fixed assets over their estimated useful lives on a straight-line basis. The annual rates of depreciation used are as follows:

Leaseholds	equally over life of lease
Office equipment	10%
Computer equipment	25%
Motor cars	25%
Plant	20%

7 Foreign Currency Translation

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange prevailing on 30th June except where rates of exchange are fixed under contractual arrangements. The results of overseas subsidiary and associated undertakings are translated into sterling at average rates of exchange for the year.

Exchange gains and losses arising from translating the following are dealt with as a movement in reserves:

- opening net assets of overseas subsidiary and associated undertakings;
- foreign currency borrowings used to finance overseas investments;
- foreign currency borrowings to the extent that they provide a hedge against opening net assets;
- the difference between the translation of retained profit from the average to the closing rate of exchange.

All other exchange differences are dealt with in the profit and loss account.

8 Non-Pension Post-employment Benefits

The cost of providing post-employment benefits, other than pensions is charged to the profit and loss account so as to spread the regular cost over the service lives of employees.

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 expected with reasonable probability to reverse in 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.

11 Goodwill

Where businesses are acquired, any difference between the cost of acquisition and the fair value of the underlying net assets is offset against reserves.

12 Basis of Consolidation

The group accounts include the accounts of the parent undertaking and of all subsidiary and associated undertakings. The results of companies or businesses acquired or sold during the year are dealt with from the date of acquisition or to date of sale. Trading results of businesses discontinued are included as part of the operating profit to the date of the decision to cease operations.

The results of associated undertakings are calculated from the latest available audited accounts adjusted to incorporate periods not covered by audited accounts.

Statement of Directors' Responsibilities

The Directors are required by United Kingdom company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and Company as at the end of the financial year and of the the profit and cash flows for that year. 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, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

Auditors' Report to the Shareholders of Logica plc

We have audited the financial statements on pages 24 to 37 which have been prepared under the historical cost convention and the accounting policies set out on page 38.

Respective Responsibilities of Directors and Auditors

As described above the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.


We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and the Group at 30 June 1994 and of the profit and cashflow of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse
Chartered Accountants and
Registered Auditors
London

14 September 1994

 Five Year Record

	1994	1993	1992	1991	1990
	£'000	£'000	£'000	£'000	£'000
TURNOVER	228,848	217,434	200,383	197,758	190,819
Operating profit	13,048	8,084	5,658	7,772	8,957
Interest	495	942	1,404	2,317	1,855
Exceptional costs	—	—	—	(6,413)	(1,990)
Profit on ordinary activities before tax	13,543	9,026	7,062	3,676	8,822
Taxation on ordinary activities	(5,058)	(3,758)	(2,821)	(4,643)	(3,531)
PROFIT ON ORDINARY ACTIVITIES AFTERTAX	8,485	5,268	4,241	(967)	5,291
Extraordinary items	—	—	—	(4,226)	(1,727)
Shareholders' funds	48,932	46,538	44,149	41,161	50,530
EARNINGS PER SHARE*	14.0p	8.7p	7.0p	(1.6)p	8.7p
Dividends per share (net)	5.00p	4.00p	3.65p	3.50p	3.40p
Staff numbers at year end	3,387	3,425	3,374	3,592	3,656

* excluding extraordinary items

OFFICE ADDRESSES

LOGICA PLC

UNITED KINGDOM

Logica UK Limited
Logica International
Limited

Registered Office

68 Newman Street
London W1A 4SE
Tel: +44 171 637 9111
Fax: +44 171 817 7006

Principal Office

Stephenson House
75 Hampstead Road
London NW1 2PL

51-53 Great Marlborough
Street
London W1V 1HL

Medina House and
Byron House
Business Park No 4
Randalls Way
Leatherhead
Surrey KT22 7TW

Cobham Park
Downside Road
Cobham
Surrey KT11 3LG

Wyndham Court
74 Portsmouth Road
Cobham
Surrey KT11 1HY

2 Queen's Gardens
Aberdeen AB1 6YD

1 Redcliff Street
Bristol BS1 6NP

Betjeman House
104 Hills Road
Cambridge CB2 1LQ

Hilton House
Lord Street
Stockport SK1 3NA

*Telephone number for
all the above addresses
+44 171 637 9111*

Speedwing Logica Limited

*a joint venture with
British Airways plc*
Heathrow House (S534)
PO Box 35
Bath Road, Hounslow
Middlesex TW5 9RS
Tel: +44 181 564 1500
Fax: +44 181 564 1501

CONTINENTAL EUROPE

Logica BV

Wijnhaven 69
3011 WJ Rotterdam
Netherlands
Tel: +31 10 4330844
Fax: +31 10 4331447

Brugstraat 32B
9711 HZ Groningen
Netherlands
Tel: +31 50 145666
Fax: +31 50 141309

Het Kasteel
3441 BZ Woerden
Netherlands
Tel: +31 3480 72555
Fax: +31 3480 24970

Logica GmbH
Wilhelm-Leuschner-
Strasse 255
D-64347 Griesheim
Germany
Tel: +49 6155 87480
Fax: +49 6155 66153

Logica Informatik AG
Schaffhauserstrasse 358
8050 Zurich
Switzerland
Tel: +41 1 313 10 10
Fax: +41 1 313 10 40

Logica Informatique SA
Rue du Tir 3
CH-1204 Geneva
Switzerland
Tel: +41 22 329 03 29
Fax: +41 22 329 03 45

Logica SA/NV
Naamsestraat/
Rue de Namur 72-74
B-1000 Brussels
Belgium
Tel: +32 2 512 9976
Fax: +32 2 512 9869

Logica Svenska AB
Solna Torg 19
171 45 Solna
Sweden
Tel: +46 8 705 7700
Fax: +46 8 730 3855

Logicasiel SpA
*a joint venture company
with Finsiel*
Via San Vitale 40/3
40125 Bologna
Italy
Tel: +39 51 294411
Fax: +39 51 236320

Via Leone XIII 14
20145 Milan
Italy
Tel: +39 2 485941
Fax: +39 2 480 08312

Corso Svizzera 185
10149 Turin
Italy
Tel: +39 11 7428 711
Fax: +39 11 7716 446

Via Corte d'Assise 8
10015 Ivrea (Torino)
Italy
Tel: +39 125 46988
Fax: +39 125 44357

NORTH AMERICA

Logica North America Inc

32 Hartwell Avenue
Lexington
MA 02173-3103
Tel: +1 617 476 8000
Fax: +1 617 476 8010

5 Penn Plaza
21st Floor
New York
NY 10001
Tel: +1 212 629 3456
Fax: +1 212 631 0269

800 Corporate Drive
Suite 600
Fort Lauderdale
FL 33334
Tel: +1 305 938 8288
Fax: +1 305 772 8475

353 Sacramento Street
23rd Floor
San Francisco
CA 94111-3650
Tel: +1 415 288 5200
Fax: +1 415 274 4808

1801 Avenue of the Stars
Suite 1415
Los Angeles
CA 90067-5808
Tel: +1 310 551 0660
Fax: +1 310 785 0505

5050 Quorum Drive
Suite 700
Dallas
TX 75240
Tel: +1 214 663 0507
Fax: +1 214 663 0505

79 Wellington Street West
PO Box 157
Aetna Tower, Suite 2704
Toronto Dominion Center
Toronto
Ontario M5K 1H1
Canada
Tel: +1 416 594 6661
Fax: +1 416 594 1667

Precision Software
229 McLaws Circle
Williamsburg
VA 23185
Tel: +1 804 229 4433
Fax: +1 804 229 8892

Synercom Software
2500 City West Boulevard
Suite 1100
Houston, Texas
77042
Tel: +1 713 954 7000
Fax: +1 713 785 0880

ASIA PACIFIC

Logica Pty Limited

30 Collins Street
Melbourne
Victoria 3000
Australia
Tel: +61 3 203 4300
Fax: +61 3 203 4333

Level 5, 76 Berry Street
North Sydney
NSW 2060
Australia
Tel: +61 2 202 8100
Fax: +61 2 922 7466

Level 9, 40 Mercer Street
Wellington
New Zealand
Tel: +64 4 499 9490
Fax: +64 4 499 9491

Logica Limited

17th Floor
East Exchange Tower
38-40 Leighton Road
Causeway Bay
Hong Kong
Tel: +852 837 6600
Fax: +852 576 7993
*From 1 Jan 1995
the numbers for the
Hong Kong office will be:*
Tel: +852 2837 6600
Fax: +852 2576 7993

Logica (Malaysia) Sdn Bhd

Lot 3.11, 3rd Floor
Wisma DNP
152 Jalan Ampang
50450 Kuala Lumpur
Malaysia
Tel: +603 244 4878
Fax: +603 244 4557

Logica Pte Ltd

PIL Building
140 Cecil Street, #16-04
Singapore 0106
Tel: +65 223 5343
Fax: +65 223 4475

*Logica can be contacted
in Japan via:*

Mitsui & Co., Ltd
2-1, Ohtemachi 1-chome
Chiyoda-ku, Tokyo 100
Japan
Tel: +81 3 3285 7910
Fax: +81 3 3285 9925

MIDDLE EAST

Logica Middle East

Representative office of
Logica UK Limited
Al Moosa Tower
PO Box 9168
Dubai
UAE
Tel: +9714 310 990 ext 214
Fax: +9714 310 503

*Logica UK Limited's agent
in Saudi Arabia for the
finance sector is:*

Wessmiah Company Limited
PO Box 9100
Riyadh 11413
Saudi Arabia
Tel: +966 1 403 4331
Fax: +966 1 401 1605

*Designed by
Stocks Austin Sice*

*Photography:
Cover: Marcus Lyon
Page 6: Richard Dean
Page 9: Tim McPherson
Page 10: Marcus Lyon
Page 12: Chris Ridley
Page 15: Richard Millott
Page 16: Richard Dean*

*With special thanks to:
The Mechanical-Copyright
Protection Society and the
FGM Choir; PTT Telecom;
the British Army; Chevron
(UK) Ltd and Bristows
Helicopters; National
Australian Bank; and
Ameritech.*

*Typeset by
new leaf associates*

Printed by CTD

*Loan Syndicator is a
registered trademark of
Logica North America Inc.
ON/X is a trademark of
Shared Financial Systems.
The Teknekron Trading
System is a trademark
of Teknekron Software
Systems Inc.
Non-Stop Messaging is
a trademark of
Tandem Computers Inc.*

