

International Atomic Energy Authority (IAEA) Kvaerner Oil & Gas Services Limited LASMO (Nederland) BV London Electricity plc Maatschap Europoort Terminal Mobil Northern Electric Nuclear Electric Plc NV Nederlandse Gasunie Ohio Edison Company Portland General Electric PowerGen SaskEnergy Inc. Scottish Power plc Shell SLOVTRANSGAZ SWEB Sydney Water Corporation Texaco Ltd **Texas** Utilities The Consumers' Gas Company Ltd Total Oil Marine plc UK Data Collection Services Limited **UK** Nirex United Utilities Yorkshire Electricity Group plc Yorkshire Water

Defence

Atomic Weapons Establishment Plc British Aerospace Defence Evaluation and Research Agency **Devonport Management Limited** Ferranti Thomson Sonar Systems Fokker Space BV GEC International Telecommunication Union Lockheed Martin Ministry of Defence (UK) NATO Natural Environment Research Council Royal Danish Navy Thomson-CSF Vickers Westland Helicopters

Industry

Alenia Algemene Sein Industrie Allied Colloids plc Allied Mills Limited BAT Becton Dickinson Medical Products Benetton BOC Boston Technology Inc British Shoe Bull Cognitronics Cyberguard Europe Ltd Deere & Company **Digital Equipment** DSM Transport Maatschappij **Dunlop** Limited Elsevier Science BV EMO Ferodo Italiana SpA Ferrari

Fiat Finsiel Ford Fulcrum Communications Limited Glaxo-Wellcome plc Hewlett Packard Hitachi Europe Limited IBM ICI Paints ICL Insiel J. Sainsbury plc Janssen Pharmaceutica Lucas Management Systems Merck Sharp & Dohme Olivetti **Oracle Corporation** Philip Morris Pirelli Cavi Procter & Gamble Reckitt & Colman plc Rover Group **RTZ** Technical Services Saint-Gobain Sequent Computer Systems Siemens Nixdorf SmithKline Beecham Stratus Computers Sun Microsystems Tandem Computers Inc The Intercare Group plc Unilever Unisys Whitbread Beer Co Williams Holdings Yomo Zeneca Specialities

Government

Australia Post Belastingdienst British Standards Institution Cabinet Office (UK) CCTA, the Government Centre for Information Systems Central Statistical Office (UK) CESG Cliniche Zucchi Commission of the European Communities Department of Economic Development (NI) Department of Health (UK) Department of Social Security (UK) Department of the Environment (UK) Department of Trade and Industry (UK) Department of Transport (UK) DESC Ltd Directorate General of Information **Communication Systems** Employment Department Group European Electronic Messaging Association (EEMA) European Environment Agency Eurostat Färdtjänsten Stockholms Län Havenschap Vlissingen (Flushing Port Authority) HM Customs and Excise Horserace Totalisator Board Information Technology Services Agency

Koninklijk Nederlands Meteorologisch Instituut London Borough of Greenwich Mildmay UK, a subsidiary of Mildmay Mission Hospital Ministerie van Binnenlandse Zaken Ministerie van de Vlaamse Gemeenschap Ministerie van Defensie Ministerie van Justitie Ministerie van Verkeer en Waterstaat Ministerie van Verkeer & Infrastruktuur Ministry of Agriculture, Fisheries and Food (UK) NHS (National Health Service, UK) Office of HM Chief Inspector of Schools in Wales Ordnance Survey Ospedale S. Orsola (BO) Public Record Office Regie der Gebouwen Republic of Cyprus – Ministry of Finance, Data Processing Services Department Rijkswaterstaat RIVM (National Institute of Public Health and Environmental Protection, Netherlands) The Scottish Office Universal Postal Union World Health Organization (WHO)

Transport

Airport Coordination Ltd ATC (Azienda Trasporti Consorziali) – Bologna British Airways Plc Civil Aviation Authority DHL EUROCONTROL Eurotunnel London Transport Buses Network Control Division, The Highways Agency NV Nederlandse Spoorwegen PTT Post BV SMART AB Speedwing

Space

Aerospatiale British National Space Centre CNES (Centre National d'Etudes Spatiales) EUMETSAT European Space Agency EUTELSAT Matra Marconi Space National Remote Sensing Centre Limited Potato Marketing Board Saab Ericsson Space

Our clients

A selection of leading organisations with whom we have worked during the year.

Finance

Abbey National **ABN-AMRO** Bank Abu Dhabi Commercial Bank Al Bank Al Saudi Al Fransi Al Rajhi Banking & Investment Corp Alex Lawrie Arab Bank Association for Payment Clearing Services Australia and New Zealand Banking Group BACS (Bankers Automated Clearing Services) Banca Commerciale Italiana Banca Popolare Milano Banco De Oro Banco Santander SA Bank Al-Jazira Bank Bali Bank Danamon Bank for International Settlements Bank Gdański Bank Handlowy w Warszawie Bank Internasional Indonesia Bank Julius Baer & Company Limited Bank of Ireland Bank of Montreal Bank of N.T. Butterfield Bank of Scotland Bank of the Philippines Islands Bank of Tokyo **Bankers Trust Company** Bankgesellschaft Berlin Banque Nationale de Paris Banque Privée Edmond de Rothschild Barclays Bank Canadian Imperial Bank of Commerce Cariplo Central Bank of the Republic of Turkey CHAPS **Chemical Bank** Citibank Clydesdale Bank Commercial Union Commonwealth Bank of Australia Copenhagen Stock Exchange Comhill Insurance plc Credit Agricole Creditanstalt Credito Italiano Credit Suisse **Crosby Securities** Deutsche Börse AG ED&F Man Cocoa Limited

Emirates Bank International Fidelity First Interstate Bank First National Bank of Chicago First Security Service Company GAN Life and Pensions PLC Girobank plc Halifax Building Society ICA Kort AB ING Bank International Petroleum Exchange of London Istituto Bancario San Paolo di Torino **KBW Effectenbank BV** Konsolidační banka Praha s.p.ú. **KPMG** Peat Marwick Lippobank Lloyds TSB Group London Stock Exchange M&T Bank Merrill Lynch Midland Bank Morgan Guaranty Trust Company of New York Morgan Stanley Asset Management Limited Multi-Purpose Bank (formerly known as Malaysia French Bank) National & Provincial Building Society National Australia Bank National Bank of Dubai National Bank of Egypt National Commercial Bank NationsBank NatWest New York Life Insurance Company New Zealand Bankers' Association Norwich Union Insurance Group Oversea-Chinese Banking Corporation Postkantoren BV Prague Stock Exchange Prudential Rabobank Nederland RAS Reuters **Riyad Bank** Royal Bank of Canada Royal Bank of Scotland S.W.I.F.T. Saudi American Bank Saudi Cairo Bank Saudi Hollandi Bank SBC Warburg Société Générale Sparbanken Standard Chartered Bank Standard Life Sun Life Assurance Society plc Svenska Handelsbanken Swinton Group Limited The Bank of England The Bank of Nova Scotia The National Bank of New Zealand The Nikko Bank The Saudi Investment Bank Union Bank of Switzerland Union Discount United Arab Emirates Central Bank United Saudi Commercial Bank Wachovia Corporate Services

Westpac Banking Corporation Winterthur Versicherung

Telecommunications

Alcatel Ameritech Antenna Hungaria – Hungarian Radiocommunications Corporation AT&T BBC BT Cable & Wireless CYTA (Cyprus Telecommunications Authority) DSC Communications Limited Energis Communications Limited Ericsson **Fininvest** Gibraltar Telecoms International Limited GTE Hutchison Telecom Italtel Jersey Telecoms Manx Telecom Limited Mercury Communications Limited Motorola Music Choice Europe National Transcommunications Limited Nokia Telecommunication Nortel Limited Pacific Bell Mobile Services Philips PT Mobisel Selular (Indonesia) PTT Telecom BV Racal Radio-Austria AG Selta Telecom Finland Telecom Italia Telekurs Telenordia Telia Telstra Corporation Limited Unisource BV

Energy & Utilities

Amerada Hess Limited Amoco Netherlands BV Anglian Water BP British Gas British Nuclear Fuels plc Chevron UK Limited Conoco (U.K.) Limited **Contact Energy** CPP, s.p. TRANSGAS, o.z. Defensie Pijpleiding Organisatie **Dublin** Corporation Duquesne Light Company EMCO Energie Beheer Nederland BV **Enichem** Polimed Enterprise Oil plc ESKOM **Gas-Direct** Limited Helikopter Service Hyder Hydro-Electric Illinois Power

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Logica provides consultancy and information technology solutions to meet the business needs of leading organisations worldwide.

We create competitive advantage for our clients. We have close to 4,000 staff working from offices in 18 countries supporting international organisations across a range of market sectors. Today's businesses want to serve more customers more quickly, more cheaply and more effectively, regardless of country or industry. We work alongside these companies to bring a total solution to their information technology requirements, from strategic consultancy through system design, development, implementation and integration to training and applications management. Our extensive expertise enables us to repeat our successes across a range of industries around the globe.

For over 27 years we have been committed to making technology work for our customers. Since our foundation in the UK in 1969 we have completed over 10,000 projects in 50 countries. Today our operations span Europe, the USA, the Middle East and Asia Pacific, with over half of our revenues generated outside the UK.

Logica's activities combine broad sector coverage with an in-depth understanding of the issues facing our clients. We support leading organisations spanning finance, telecommunications, energy and utilities, transport, civil government, defence, industry and space.

Five Year Record					
	1992	1993	1994	1995	1996
	£′000	£'000	£'000	£'000	£'000
Consolidated turnover	182,908	196,593	209,952	250,135	284,810
Profit before interest and taxation	5,658	8,084	13,048	19,834	24,162
Interest	1,404	942	495	476	548
Profit on ordinary activities before tax	7,062	9,026	13,543	20,310	24,710
Taxation on ordinary activities	(2,821)	(3,758)	(5,058)	(7,160)	(8,130)
Profit on ordinary activities after tax	4,241	5,268	8,485	13,150	16,580
Earnings per share	7.0p	8.7p	14.0p	21.7p	27.1p
Dividends per share (net)	3.65p	4.00p	5.00p	6.25p	7.8p
Shareholders' funds at year end	44,149	46,538	48,932	56,401	70,340
Staff numbers at year end*	3,374	3,425	3,387	3,816	3,801

*Staff numbers include staff employed by associated undertakings



The strengthening financial performance of Logica not only reflects the greater confidence of our customers. It also enables us to improve our service through increased investment in capabilities and a wider geographic spread.



In 1993, Logica embarked on a programme of management and organisational change designed to enable the company to capitalise on its inherent strength and on its market position. In the three years since 1993, revenues have increased 45%, margins have improved from 4.6% to 8.7% and earnings per share have more than tripled. This has enabled us to raise dividends by over 90% and with the share price rising from 258p on 30 June 1993 to 645p on 30 June 1996, (over three times the return on the FTSE All Share Index over the same period), we trust that our shareholders will feel they have been well served.

The strengthening financial performance of Logica not only reflects the greater confidence of our customers. It also enables us to improve our service through increased investment in capabilities and a wider geographic spread.

As a professional services company it is a truism that our staff are our principal asset. Their quality and commitment are well recognised both inside and outside the company. Last year shareholders approved a renewal and extension of the Sharesave scheme which operates in the UK and in many other countries. For 1997 we will be enhancing its attractiveness and introducing profit based reward schemes across the group to further align staff and shareholder interests. Similarly we are proposing to shareholders at the annual general meeting that they approve a new Discretionary Share Option Scheme which will provide incentives to executives to achieve demanding performance targets; these are very much in line with best practice in this area.

In July 1996, Cliff Preddy retired from the board. Cliff was one of the earliest employees in 1969, joining the board in 1987. His contribution over the years has been enormous and he has brought to all his roles both total commitment and total integrity.

This is my first statement to shareholders as chairman of Logica and I must pay tribute to Paul Bosonnet my predecessor for his wise guidance and leadership of the board during a period of transition, always a difficult task. That Logica has the management strength that it has today is in large measure the result of his endeavours. In succeeding him I am conscious that he has handed on a company in excellent condition with exciting prospects. Moreover it operates in an industry which is generally expected to grow well above average, and I therefore look forward to being able to report further strengthening and better financial performance in future years.

In the shorter term we achieved encouraging order intake during 1996. This, coupled with the initiatives we have taken to strengthen the business and the positive state of the computer services market, leads the board to believe that Logica will achieve further good revenue growth in the current year and make a further step towards our 10% margin target.

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Frank Barlow chairman, Logica plc

The 1995/96 financial year was another success for Logica, and one in which we have built on the strong platform for profitable growth already established. We continue to work for leading organisations across the world on some of the most demanding and high profile assignments in our industry. We have consistently added value to our clients' businesses, and provided exciting career development for our staff. Both have been important factors in enabling us to deliver improved returns to our shareholders.



Logica's success depends on our ability to match or exceed the expectations of shareholders, clients and staff alike. Over the past year we have secured and completed highly complex multimillion pound international assignments critical to our clients' future business success. Internally we have implemented new initiatives to develop and motivate our workforce. As a result of our commitment to customers and staff, our shareholders have benefited from Logica's consistently strong position within a buoyant IT sector.

Delivery to customers Logica's clients are increasingly operating in a global market and seeking global support to help them achieve their business objectives. As our activities across Europe, the Middle East, Asia Pacific and the USA continue to expand, we have developed Logica's operations to support our worldwide clients more effectively. In addition to our strong presence in traditional Logica markets, our new initiatives in the Middle East, Germany, the Czech Republic and New Zealand have flourished. We have also supported organisations in new territories as far afield as Azerbaijan, Indonesia, Kampuchea and Vietnam. Wherever we operate around the globe, we demonstrate a commitment to getting the right people, skills and know-how in the right place to meet our customers' needs.

Logica recognises that repeatability is a key factor in delivering cost-effective business solutions quickly without sacrificing quality. Transferring expertise, products and systems developed in one sector or region to another gives customers fast access to proven Logica solutions. Across market sectors such as finance, telecommunications and energy and utilities, Logica offers tried and tested products and services to meet specific market needs. In addition, our position at the leading edge of technology enables us to track, assess and deliver the business benefits of new techniques such as rapid application development and data mining.

To enhance Logica's well-established expertise within a range of market sectors, we are also focusing on business-critical issues with a wide application, such as the impact of the millennium on core systems, new routes to market such as the Internet, and the linking of telephony and customer information systems to deliver new services to customers. These are all areas where Logica is providing strategic consultancy to help clients shape their future business, and where our design and implementation skills turn recommendations into reality.

We recognise that clients wish us to work with them in different ways: as strategic business partners who will help them achieve their future vision; as implementors of systems; as providers of applications management services; or as part of a broader team of external consultants drawn from a range of disciplines to bring external capabilities to complement a client's own.

Increasing demand for our range of services acknowledges that our customers are becoming more dependent on technology to succeed in their business. They demand business understanding, independent evaluation and constant reassessment of their requirements and priorities, in order to ensure the appropriateness and future evolution of their IT investments. Logica is ideally placed to meet these needs.

Commitment to staff Logica continues to cultivate an environment in which the best people in our industry can flourish. Around 85 per cent of our workforce is graduate educated and we maintain a substantial intake of new graduates each year. We continue to introduce new talent into key positions across the company, both within our core systems integration and project management teams and in important support areas such as business development. Profit sharing schemes have been implemented worldwide to reward the commitment of all staff and to enable them to share in Logica's future success.

We have continued to refine our internal processes for transferring people around the world to work in new territories and carve out varied and challenging careers at Logica. To complement and enhance existing two way communication channels, we have implemented an employee communication forum across all European operations which will be extended to cover all our businesses worldwide.

Our activities have continued to be underpinned by strong management discipline. As part of our commitment to best business practice, we have packaged our wellestablished commercial practices, quality assurance and financial controls into one methodology – Cortex – to ensure the quality, efficiency and reliability of project delivery. Shareholder return We have continued to deliver record earnings per share, and for the first time since our foundation the company's market capitalisation has exceeded £400 million. Our focus on repeatability, the delivery of world-class systems integration skills and the development of specific services such as consultancy and applications management will enable us to deliver even better performance in the coming years. A programme of selective acquisitions in specific product and geographic areas will also supplement our successful record of organic growth.

A consistent message Logica is now a company that delivers consistent value to customers and shareholders. Through the range of business development initiatives outlined here, we can ensure Logica continues to be a reliable and successful partner, investment and employer in the years to come. Feedback from customer satisfaction surveys carried out during the year has given us important insights into why our clients choose Logica and what they expect from us. On the pages that follow we have attempted to define and articulate these offerings and values. Comments from our clients and from analysts within our industry indicate that we have already made substantial progress towards our goals. We look forward to meeting and exceeding the expectations of our customers, shareholders and staff in the years to come.

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Dr Martin Read managing director and chief executive, Logica plc

The Logica way: hard work done well

Infinite needs, finite resources. As organisations throughout the world seek new ways of operating in a dynamic and complex environment, Logica is at the heart of projects aiming to alleviate these pressures. Satellite technology, for example, can help locate minerals, grow food and safeguard the environment. For nearly three decades we've been at the forefront of technological innovation in business around the globe. Seeking out problems, devising solutions – and doing it well. That's the Logica way.

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The Logica way At Logica we are proud of our heritage of 27 years of professionalism and quality which makes us one of the most highly respected suppliers in our industry. We are continuously innovating to improve the value we deliver to our customers, building on the integrity and expertise that our customers prize. We also work hard to build long-term relationships with global organisations and cater for their recurring needs.

Much has changed, and more is changing. But the Logica way – hard work done well – remains fundamentally the same.

Creating competitive advantage We at

Logica make our living by creating competitive advantage for our clients. We work around the world, and in many market sectors. While every project is unique, there are common themes, common drivers, common ways to add value.

Today's businesses want to serve more customers more quickly, more cheaply and more effectively, regardless of country or industry. They want to cut waste and focus resources on meeting customer needs. They want to innovate with existing infrastructures – adapting yesterday's investment to meet the needs of tomorrow. They want to get, and stay, one step ahead.

All this demands the effective harnessing of technology. And that's where we at Logica come in. Because we make technology work.

How and why we do it Making technology work of course means more than just making it function. We've always been recognised for our technological expertise – as creators, integrators and fixers of complex IT systems – and widely acknowledged as leaders in the business. As boundaries blur between technological and business challenge, we are increasingly being asked to help decide what, when, who and why as well as how. Before determining the solution, helping to define the problem.

And because we work in so many markets around the world, we bring a very particular independent perspective to bear. The range of our experience means that we are intimately acquainted with issues as varied as the pressures facing the worldwide manufacturing industry, international finance or the global telecommunications market for example.

We also find that some of the common principles and processes of our work apply across these different sectors. So what works in one industry may also work in another.

Professionals at work The scope and the geographic spread of our activities is wide-ranging. To take three recent examples of our work:

- we are developing a state-of-the-art electronic funds transfer system for a major Middle Eastern financial client
- we designed an Internet 'white pages' service for Telstra, the Australian national telecommunications carrier
- we are developing the core trading and settlement system to support the 1998 deregulation of the UK electricity industry.

Twenty-seven years of professionalism have built a business of close to £300 million in revenues from a few guiding principles and a lot of hard work. We will continue to pursue our future targets the Logica way, doing hard work well and generating the benefits expected by clients, shareholders and employees alike.



Anyone can have a vision – achieving it is the challenge. Linking Denmark and Sweden across 16km of open sea involved combining road, rail, bridge and tunnel and using knowledge gained through building the even longer bridge between Denmark's main islands. It is a task that requires creative architecture and civil engineering know-how, from intricate blueprints to final get involved in a project we make sure that what's designed is what's delivered. We meet out deadlines and keep our promises. From concept to completion – we bridge the

gap between vision and reality.

The consultants identifying problems, creating solutions

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Today, information technology is high on every boardroom agenda. Logica works with its clients to demonstrate the enabling power of * technology, combining business and systems skills to bring about the future vision. Logica's heritage is one of technological delivery, yet the business environment now demands an understanding and exploration of the commercial drivers behind technological change. Considerable investments in IT are being made worldwide to answer hard business questions, open new fields of opportunities and deliver bottom line benefits.

Effective IT has a direct impact on overall business efficiency and market position. Logica understands these issues, and recognises the need for flexibility, adaptability and business empathy. In our role as consultants to leading organisations worldwide, we recognise that business issues and market forces will vary across different sectors and from one company to another. Our proven experience of delivering complex and business-critical computer systems in these sectors affords us an insight into our clients' concerns.

We are committed to delivering real improvements to our clients' business through the provision of a number of key consultancy services:

• **business creation** – identify opportunities for our clients where new technologies can be harnessed to launch new business ventures • market focus – select and achieve for our clients unrivalled customer value levels by using the relevant customer care systems and technologies

• enterprise architecture – define a business architecture that will optimise the value chain with the best combination of enabling technologies

• **strategic monitoring** – help clients pursue major change initiatives by providing them with an executive system to monitor their actual implementation.

IT is one means of delivering improved performance and future success across the business spectrum – whether this translates into enhanced customer service, faster time to market, increased productivity or control of operational costs. We provide consultancy to a diverse range of clients to help them realise these objectives. Organisations choose in Logica a partner with both technological insight and commercial pragmatism, whose skills they trust to help them succeed.

The business environment today is severe. Our clients are concerned about how to improve customer service, about how the year 2000 will impact their internal and external computer systems, about how new media and new routes to market such as the Internet will change the way they do business. Logica enables customers to understand these issues and turn them into competitive advantage. Organisations we work with recognise the value we bring to their business – a combination of technological flair and business acumen. We enable them to build the bridge to their future success.



World-class systems integrators: structured platforms for innovation

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The interpretation of Rodrigo's *Concierto de Aranjuez* by Miles Davis (1926 – 1992) is a classic example of the jazz soloist's free improvisation against an original score, with spontaneous patterns from other musicians in the band. This original interpretation is reliant on an understanding of basic musical structures. In the same way, Logica's innovative thinking springs from our extensive consulting experience and fundamental technical competencies.

World-class systems integrators



Logica's foundations lie in over 27 years of challenging systems integration assignments, where each of our solutions is tailored to meet individual client needs. We work alongside clients to explore business priorities, recommend and implement tailored IT solutions based on an understanding of possibilities and limitations, and then ensure that the promised benefits are delivered and measured. We constantly seek innovative ways of applying technology to business.

Our clients gain from Logica's unrivalled technical heritage, the bedrock of our business built on delivering some of the most challenging and complex projects in our industry. Our independence also means that we make our recommendations based on an objective and thorough appreciation of available technologies, tools and techniques.

Systems integration has become a critical business issue. Timely and accurate management information – and management of information – equates to competitive advantage. Sharing data across functions is also a business imperative, and yet the legacy of reorganisation, mergers and acquisitions is often disparate computer systems originally developed as standalone solutions on differing hardware and software platforms. Businesses today need practical, working technology solutions to remain competitive, but they don't always have the resources to start from scratch or to achieve their goals alone.

Logica has a history of taking total systems responsibility and can draw on this to replicate successful projects anywhere in the world across a range of industries. Our own operations are underpinned by a comprehensive set of processes, through which we ensure that, in all we deliver, our clients reap the benefits of our extensive expertise in a number of disciplines. **Reliable track record:** our ability to deliver is unrivalled. We have worked at the leading edge of technology delivering complex projects, often on a fixed price basis, since our formation in 1969.

International coverage: our first international contract was secured in our first year of operating, and today we have completed over 10,000 assignments in more than 50 countries. Over this time we have worked on some of the world's most mission-critical assignments, enabling leading global organisations to realise their own strategic objectives.

Technical excellence: our clients have access to the highest calibre consultants, technical experts and project managers. Our pragmatic, 'sleeves rolled up' approach means we don't just tell you what we can do – we do it.

Best business practice: our own internal processes demonstrate our commitment to quality, professional integrity and international certification standards. Our Cortex framework ensures that strict management disciplines are applied to all projects, ensuring that they offer value for money solutions which are delivered on time and to budget.

Our teams are used to working on assignments ranging from the very small to the very large, involving hundreds of staff from a variety of subcontractors, often running over several years in different countries. Our experience has taught us an important lesson: technical expertise on its own is not enough. Systems integration is as much a business issue as a complex technical issue. It's about understanding business problems and identifying solutions. Getting the technical side right is not easy, but achieving an understanding of what the business needs are and delivering that is our real challenge. Fortunately, we enjoy challenges at Logica. It's music to our ears.





Reliable, successful partners: building relationships to make the difference

Le Mans. 24 hours. Man, machine – and the back-up team. When everything is running in the red zone for 24 hours non-stop, you need a team around you that you can rely on. People you know. People you trust. People you know you can trust – for their expertise, their dedication, their singleminded devotion to the goal that unites you. It takes a team of 30 people to win Le Mans. It can take many more or many fewer than that to deliver the IT solutions that Logica's clients demand. But the essence is the same: a team approach, working together, a winning partnership. Logica works with leading worldwide organisations, many of which are pioneers in their field. We recognise that across the markets we serve, flexibility is needed in relationships, and this is reflected in our organisation and the empowerment of competent business development teams to work with our clients in the way the client wants. We also know the value of maintaining an ongoing commitment to these partners over time: many of our top revenue-generating clients have been customers for over 15 years. Today the strategic global objectives of companies like Ford and Reuters are supported by Logica worldwide.

Our customers recognise that harnessing technology effectively can bring business advantage to every aspect of their operations. They entrust Logica with multimillion pound investments which are critical to their future business success. They also demand real added value from their IT partners, instead of rélying on achieving it automatically from good technical systems. Today, competitive advantage is achieved through constant re-evaluation of issues and priorities, and this requires a partner with a deep and mature level of understanding.

Partnership: our clients expect us to align ourselves fully to their business goals. We believe in a shared commitment to tackling problems and their solutions together. **Flexibility:** successful and productive partnerships require a flexible and responsive work environment. We adopt commercial practices which maintain a focus on the overall objective of the project. We are also committed to getting the right people and skills in the right place at the right time, anywhere in the world.

Responsibility: our clients rely on Logica to take responsibility for the business-critical aspects of assessing, developing, maintaining and supporting strategic IT systems. They expect us to innovate on their behalf, and to identify potential problems in advance rather than wait to be asked. Our clients also expect 100 per cent commitment to their own deadlines and goals so that they in turn meet their customers' demands and deadlines.

Business understanding: our successful global partnerships are built on a foundation of business understanding, empathy with the client's goals, local market knowledge and technical capabilities. International organisations working with Logica value our local presence and knowledge, backed up with worldwide support and commitment.

The key to partnerships lies in working together to realise business objectives more effectively than could be achieved alone. Strong relationships are based on trust. Our clients, themselves leaders in their field, are the best recommendation to new clients that their trust in Logica is well placed. We can help them take the lead.

Reliable, successful partners



Among our clients in the finance sector are:

ABN-AMRO Bank, Australia and New Zealand Banking Group, Banco Santander SA, Bank Gdański, Bank of Tokyo, Barclays Bank, Citibank, Credit Suisse, Emirates Bank International, First Interstate Bank, Girobank plc



David Ure, executive director, Reuters: "Logica understands our people and how we operate. We've worked with them for a number of years and we trust them. We have found Logica to be technically excellent and committed to delivering successful projects." **Reuters**, one of the world's leading news and financial information organisations, has formed a preferential trading relationship with Logica through which the two companies will work together to develop creative IT solutions designed to maximise the competitive edge of Reuters' business.

The two companies have worked together for over 15 years. Logica supplied consultancy services to Reuters with its recent flagship programme to introduce its new generation of information products, the 3000 series. This included a novel way of distributing new software so that Reuters customers can receive new products more guickly and efficiently. Logica also helped Reuters to evaluate change management issues, and applied advanced skills in human computer interaction to the analysis of building interfaces which are easy and intuitive to learn and operate. Current Logica projects include helping Reuters to develop a new service which uses an Internet-type browser to help customers view data within the Reuters global information network more effectively.

Under the new relationship, Logica will provide a wide range of skills and services including systems development and support, consultancy and applications management services. Logica operates a global network focused solely on Reuters' business. This is a flexible resource designed to provide the required skills to meet the wide and varying needs of separate Reuters business units. **Visa InterActive** is the service organisation to Visa International whose mission is to provide innovative electronic services for its 19,000 member banks worldwide. Logica has been an ongoing partner with Visa InterActive in providing support for home banking and remote banking services including customer service management, reporting, billing, electronic invoice presentation and international adaptation of services.

As part of this support, Logica has worked with Visa InterActive to develop a customer service management system (CSMS) in less than six months which enables member banks to provide all customer services direct such as electronic bill payment, account enquiries, funds transfer and management of investment portfolios. The system will link member banks to the Visa customer database and so provide them with direct visibility of customer accounts.

Working as part of joint teams with Visa staff, Logica is also providing ongoing advice and support for strategic change management programmes and ongoing enhancements to Visa's customer service systems. This includes the internationalisation of the CSMS to cope with language differences, address and postcode/zipcode formats, international banking regulations and other variations. Another move is to support links to individual banking applications such as Microsoft Money, through which customers can manage all their account details via their home PC. Such activities support Visa's drive to enhance and extend its customer facing systems in a high volume transaction environment where guality of service is the key to competitive edge.





Susan Bosco, senior vice president of operations, Visa InterActive: "In an environment

Interactive: In an environment where quality of service is the key to a competitive edge, Logica, working in partnership with our staff, is taking this cutting edge technology to a new level, while at the same time offering our customer base convenience and unmatched capabilities." D Sibiet, treasury support manager, ABN AMRO Bank Brussels: "We selected Logica from a list of three specialist systems integrators. Logica had proved in the marketplace that they could deliver a quality solution on time and within budget. This, combined with a proven product, made Logica a reliable choice for us."

Bankgesellschaft Berlin is one of the ten largest banks in Germany. Traditionally focused on retail banking, the bank is diversifying into investment banking and intends to be a global player in this business. To support these ambitions, the bank commissioned Logica to jointly develop an information systems strategy, and associated application and technical architectures, designed to support the bank's move into investment banking.

As prime contractor for implementing the strategy, Logica has successfully helped to implement a new trading room in Berlin. It has also delivered several different front office systems which are now in live operation supporting the bank's trading activities. Work is now focused on implementing a middle office system to support the bank's control office function and to meet the bank's statutory reporting obligations. This is a complex project undertaken within demanding timescales, and Logica is currently managing over 70 staff based in Berlin and drawn from the UK, the USA, Germany and Switzerland. **ABN AMRO Bank** is one of the largest banks in the world, providing an international range of banking services to businesses and private customers in 69 countries worldwide. To improve its competitive position and increase its levels of service, ABN AMRO Bank is extending its worldwide network of offices and services in the field of private banking, investment banking, syndication and dealing in various financial markets.

To respond to these rapidly changing markets and to manage the inherent risks associated with them, ABN AMRO Bank appointed Logica to supply and integrate a new digital dealing room system. The bank's requirements included a high degree of flexibility to meet the information requirements of the dealers, access to the latest technologies and the integration of middle and back office functions.

As systems integrator, Logica was responsible for the installation, testing and customisation of hardware, software and multimedia applications to recognised quality standards, as well as the training of users and system managers. Logica added further value by designing a multi-user real-time foreign exchange position keeping system for the bank, and implementing it based on the new technology. ABN AMRO Bank dealers now have access to a state-of-the-art system which provides maximum support in a highly competitive environment, and can respond rapidly to market pressures and changes. The system was delivered on time and to budget and now supports the activities of around 40 dealers and share market analysts.

Among our clients in the telecommunications sector are:

Ameritech, BT, Cable & Wireless, Energis Communications Limited, Ericsson, Mercury Communications Limited, Motorola, Telecom Italia, Telstra Corporation Limited



services general manager, Maxis: "We are delighted with the system and its delivery by Logica. It is already allowing us to reduce fraudulent use of our network and build effective cases for recovery. Logica delivered to our demanding requirements and we look forward to working with them on other work. This will ensure that we keep ahead of ever-changing fraud issues as well as help us in other areas of our operational systems."

Paul Freeman, information

PACIFIC BELL. Mobile Services Casazza. F 2437

Frank Casazza, vice president, operations, Pacific Bell Mobile

Services: "Logica's experience in the global telecommunications field was a major factor in our selection, and they also have many years' systems integration and project management experience to their name. Our experience with Logica has been excellent. The quality of their people and their drive to meet commitments is first rate. Our mission is to deliver the highest quality products and services to our customers in a fiercely competitive market, and with the expertise and support of Logica staff we look forward to making this a reality.

Pacific Bell Mobile Services is the wireless communications subsidiary of Pacific Bell, both owned by the Pacific Telesis telecommunications corporation based in San Francisco, California. Pacific Bell Mobile Services is breaking new ground in delivering the next generation standard of personal communications services. To support this, it has appointed Logica as systems integrator for its customer care and billing system which supports its new personal communications service network. When the network becomes operational - currently scheduled for initial launch by the end of 1996 - it will potentially be among the largest Global System of Mobile Communication (GSM) standard network in the world.

Under the terms of the agreement, Logica will provide the specifications, software interfaces, systems integration and project management for a comprehensive customer care system covering billing, general ledger, services and tariffs, and customer administration. Logica was chosen by Pacific Bell due to its experience in customer care and billing systems implemented across Europe, Australia and south-east Asia, as well as its knowledge of the US marketplace Maxis is the trade name of Binariang Sdn Bhd, a new Malaysian telecommunications company whose joint venture participants include the operator US West International. Its services include GSM cellular telephony, wireline networks and satellite services, and future plans include the provision of cable TV and multimedia services. With its growing penetration of the Malaysian market, Maxis recognised the need to implement strong fraud management capabilities in order to protect its customers, its reputation and its revenue. Fraud is an issue which affects all types of telecommunications carriers: in the USA cellular telephone fraud is estimated at \$350 million per year, while in Europe the estimate is £100 million.

Logica has implemented a system for Maxis based on the ATACS product owned by Bedford Associates, a real-time fraud detection system providing the most advanced and flexible fraud management capabilities available. Maxis required a system which would be flexible and practical enough to cope not only with current fraud techniques but also with emerging trends across Asia and the rest of the world. The system also integrates with the advanced customer care and operational systems within the Maxis organisation. In an environment where the reduction of fraud represents instant financial benefits, detection and prevention is a competitive issue. The system will enable Maxis to offer customers improved protection from becoming fraud victims, as well as valueadded security services to corporate users.



Lars Hazén, business development manager, Telia InfoMedia Respons AB: "We offer possibilities for people to navigate in the new world of advanced teleservices. In this work, Logica has been a committed supplier of ideas, advice and technology. Their impressive competence within telephony is a perfect match for us." Telia InfoMedia Respons AB, part of the Swedish PTT, specialises in customised personalised telephony services. It currently handles over 60 million calls a year made to the directory enquiries function and to other services supplied as part of the Swedish public telephone network. Telia identified an opportunity to supply efficient and professional telephony services to companies and organisations needing to handle large numbers of calls from clients, for example taking over a customer helpdesk function on a day-to-day basis or handling temporary peaks such as during a sales campaign.

Logica developed a call centre service for Telia which has the capacity to serve the needs of around 100 companies. Their computer systems can be connected to Telia in such a way that Telia operators have constant access to all the information they need to handle enquiries, just as if they had been physically

located on those client sites. Each time a call is answered, all the information held on file about the individual immediately appears on the operator's screen through a link between the incoming caller's number and a customer information database, or alternatively by a caller entering their own identification on the telephone keypad. A voice response function answers simple and repetitive enquiries. which in turn reduces operator workloads and frees up their time to help with more detailed calls. The telephony service is customised according to each individual company, for example they may choose from a range of services including order taking, personal call answering, voice response and fax back. Different levels of service are also available, for example a maximum wait of 20 seconds per caller, and the system is capable of collating and providing statistics such as enquiry times and queue duration.

Among our clients in the energy and utilities sector are: Anglian Water, BP, Enterprise Oil plc, SLOVTRANSGAZ, Sydney Water Corporation, Texas Utilities



Bill Smith, vice president, system operations and engineering, Consumers Gas:

"The development of the operations work management system reinforces our commitment to the highest level of service for all our customers and supports our continuing growth as a premier supplier of natural gas." **Consumers Gas** is Canada's largest natural gas distributor, providing energy services to more than 1.25 million customers. Faced with introducing many major new business applications in a client/server environment as part of its strategic information management project, Consumers Gas selected Logica to provide an operations work management system. The selection was based on Logica's proven work management information system software coupled with its ability to provide strategic consultancy to help shape the solution and also to design and implement it in a complex emerging environment.

Logica developed a new methodology which allowed Consumers Gas to evolve, evaluate and maintain a business model that encapsulated its vision for work management. To support the business model and the operations work management system, Logica worked with Consumers Gas to associate the benefits, risks and interactions with other required systems. This enables both Logica and Consumers Gas to shape plans and actions more directly around deliverable requirements which provide the most value within acceptable levels of risk.

The principal business benefit of the system is the integration of data from multiple systems and resources into a unified solution which will streamline the handling of work management tasks. It will enable Consumers Gas to create and support its business processes of the future, backed up by appropriate software capabilities and services.

Steve Howard, technology

manager for EMCO: "This is a partnership we expect will extend over many years continuing the development and support for the Comit system. We chose Logica for their knowledge of trading systems and the energy market. Logica and Reuters were able to provide a solution that best meets the needs of the deregulated electricity market."



Robert M Archibald, production optimisation manager for Shell Expro: "We are pleased that the IPSE project has brought together Logica and Shell Expro staff through a joint team approach. We have developed a close working relationship with Logica, sharing skills and experience to achieve a common goal. This approach has proved to be a very productive way of developing this advanced software environment, which has already delivered significant benefits to the business."

EMCO (The Electricity Market Company

Limited) was set up in 1993 to facilitate development of the wholesale electricity market in New Zealand. EMCO operates the electricity market which completed a process of deregulation on 1 October 1996. EMCO selected Logica and its partner Reuters to provide the trading, information, clearing and settlement systems.

The trading system is based on Reuters Triarch. This is the technology that provides dealing capabilities to foreign exchange dealers in banks around the world. Logica is developing the electricity trading system and integrating this into Triarch. The Logica components of the system include spot trading and the market related information, plus meteorological, hydrological and systems status, required for traders to determine electricity pricing. Reuters provides a wealth of business and market information and Triarch enables the information to be displayed in a form to suit the needs of individual traders.

Logica is also providing an Internet capability to allow widespread access to the market information, as well as developing the clearing and settlements functions to allow the trades to be reconciled and settled. The systems are being developed as a joint project between Logica's UK and New Zealand operations. Logica has supported the activities of the Shell group of companies in the UK, the Netherlands and the Middle East, supplying consultancy, systems development and applications management services in areas such as pipeline monitoring, scheduling, retail automation, personnel tracking, security and disaster recovery. Shell U.K. Exploration and Production (Shell Expro), operating on behalf of Shell. Esso and other co-venturers, is one of the largest producers of oil and gas in the North Sea. In line with other operators, it is facing the challenge of prices that are low by historic standards for its oil and gas, as well as being constrained by mature fields, ageing equipment and strict legislation. Consequently, production optimisation is a high business priority.

To help Shell Expro meet these challenges. Logica is developing an integrated production simulation environment (IPSE) to support its computer-based modelling of production processes, sub-surface reservoirs and wells. The IPSE supports a business need for a more consistent and uniform approach to forecasting, scheduling and day-to-day production processes. It enables Shell Expro to optimise field forecasting and activity plans, assess alternative development scenarios guickly, and accurately analyse de-bottlenecking options. Working closely with Shell Expro, Logica employed rapid application development techniques to meet Shell's deadlines and also address the evolving business requirements inherent in a project of this type. The resulting system, winner of the Spring 1996 Shell Expro Innovation Technology Award, is now being used to perform medium-term forecasting for Brent Field, the largest in the North Sea. As a result, more informed and auditable planning decisions have been possible, which in turn has enabled improved use of assets and increased output. Within two months of initial implementation, savings realised in the Brent Field alone more than recouped the system development costs.

Among our clients in other sectors are:

British Aerospace, NATO, Glaxo-Wellcome plc, Ferrari, World Health Organization, DHL, Civil Aviation Authority, Aerospatiale, EUTELSAT

Peter Morrisroe, managing director, ACL: "We chose Logica over the competition because they were flexible to our needs and held the key applications development skills and quality standards that we believe are essential to the successful management of our IT systems."



The Ford Motor Company has selected Logica as its premier supplier of IT services in a deal worth at least £27 million over the next three years, building on a relationship which began in 1986. The deal forms part of the Ford 2000 programme, a realignment of Ford's worldwide automotive business to prepare for future growth with a single set of worldwide processes and systems in its product development, manufacturing, supply and sales activities.

One element of this is the major reduction in the number of worldwide suppliers. Logica will provide IT professional services to Ford UK and will also directly manage relationships with other Ford IT suppliers, technical contract staff and agencies. The agreement will also enable Ford to access Logica's investment in research and development of emerging technologies for its own commercial advantage.

The relationship began when Ford employed Logica as an extension of its own systems capability. Since then, Logica has built up specialist knowledge of Ford's business in all aroas of the manufacturing lifecycle including design, programme development, manufacturing, accounting, sales and warranty. Today Ford and Logica staff work in co-located and merged teams across the UK, the USA and Germany. Airport Coordination Limited (ACL) is the independent authority responsible for scheduling all civil aircraft departures and arrivals at the UK's major airports. The increased demand for take-off and landing slots at all UK major airports has led to a need for ACL to improve the quantity and quality of information it provides to the various airports and airlines. In order to reduce the time required to develop and implement new systems as well as minimise the risks of any new development, ACL has outsourced the entire management of its existing and planned systems to Logica.

Under the terms of this five year outsourcing contract, Logica holds primary responsibility for all applications management, networks, desktop, data centre and helpdesk activities for ACL. The move marks a growing trend in Logica towards strategic relationships in the air transport industry, particularly with the UK Civil Aviation Authority. The agreement will enable ACL to provide significantly improved services to its major customers such as the British Airports Authority, Virgin Atlantic, British Airways and British Midland. In The Netherlands, the **Port Authorities of Vlissingen and Terneuzen** are responsible for the management, operation and economic development of the two ports and their associated industrial and commercial business districts. To promote economic development in the region, the authorities must handle greater numbers of vessels through the ports, requiring optimisation of business and safety procedures.

To achieve this, the port authorities, in partnership with the Directorate General for Public Works and Water Management, selected Logica to develop a central server for the Zeeland harbour information system (ZHIS) using electronic data interchange (EDI) technology to automate the flow of information between shipping using the port and onshore service providers such as pilot services, the National Transport Inspectorate and the harbour master department.

ZHIS will provide efficiency on the waterway, better utilisation of the ports' infrastructure and greater levels of safety – making it possible to act quickly and effectively in the event of a disaster with information about the location and nature of dangerous cargoes available to the relevant authorities immediately. As part of its mine warfare activities, the **Royal Navy** needs the ability to manage information which will assist in the conduct of safe passage of ships in the NATO area and elsewhere. Traditionally this information has been maintained centrally and recorded on charts and in publications. It is issued to mine warfare tasking authorities for planning route survey operations, with results of these operations later fed back to update route survey records.

Logica was commissioned by the UK Ministry of Defence to develop a route survey database which would meet its needs for more accurate and error-free information provision to mine warfare planners and tasking authorities, as well as capturing data on subsequent results. Other related requirements included the ability to compare repeated data and images, and also exchange this data with other countries. A further need is to record environmental data and civil survey information.

Logica is developing a managed mine warfare information system capable of handling large quantities of geographically related data consistently and accurately. It holds details of shipping routes, seabed objects, geographic and environmental information plus oceanographic data and weather conditions. The system is capable of receiving information from a range of different sources in digital format, manipulating this and displaying it to any scale or projection before exporting it to a range of users. The interfaces are flexible and the system can be adapted to meet different sets of customer needs and future updates.

ID.5.3276

E van den Berg, harbour master Vlissingen Port Authority: "ZHIS

is replacing the huge volume of telephone communications, letters, faxes and telexes we currently need to operate the ports and waterway – ending the complicated mass of paperwork, prone to human error at every turn. Having project managed and implemented ZHIS, Logica is now handling the integration of ZHIS into the information infrastructure of the whole region."

Trevor Bond, assistant director, underwater weapons and

sensors, DG Ships: "The route survey database Logica has been contracted to design, develop, deliver and support will provide the mine warfare authorities with accurate and comprehensive data and lead to improved operational effectiveness in minehunting. The tailor-made system offers the best value for money to the Ministry of Defence by utilising commercial off-the-shelf hardware and software "



Guy Valentiny, head of ESA's Flight Control System

Department: "Logica is valued as both a reliable and highly competent technical partner and also as an ongoing provider of strategic consultancy. The company has supported ESA's scientific satellite activities for over 20 years and continues to provide products and consultancy for future missions."

Christian Devillers, project officer, European Commission:

"The project team succeeded perfectly in finding out and implementing solutions well-suited for each of the committees involved."





The European Space Agency (ESA)

infra-red space observatory (ISO) has a mission to discover more about the formation of the universe, part of which involves studying the cool and hidden parts of the universe such as distant galaxies and the unidentified 'dark matter' which forms the bulk of its mass. Scientists believe that the information provided by the orbiting observatory will unlock some of the secrets of the evolution of stars, planets, galaxies and the universe itself.

ESA commissioned Logica to develop the key mission-critical software for the observatory, which is being used to control its position accurately while in orbit, ensuring that it is focused on the areas of most interest to the scientific community. The ISO mission has a limited lifetime, due to the eventual evaporation of the liquid helium which cools ultra-sensitive instruments to eliminate thermal noise and other forms of interference. Logica developed the software at the European Space Operations Centre, Darmstadt, Germany and also integrated it to support scientists at the observatory's science operation centre in Villafranca, Spain to ensure that the mission control facilities function as efficiently as possible to maximise the useful life of the mission. Logica is also supporting a number of other work packages and operational missions for ESA under a three year framework agreement.

A central and influential part of the work of the **European Commission** involves around 1,200 management committees and working groups, whose members exchange around 69 million pages of documentation a year. The Interchange of Data between Administrations (IDA) programme is tasked with helping the various administrations of the European Union exploit the potential of information technology and telecommunications to increase efficiency, reduce costs and respond more effectively to the 'information society'. One of the top priorities of the programme is the practical implementation of electronic mail on the basis of X.400.

Logica was invited to develop an approach for the IDA programme to help spread the awareness and use of e-mail as an integral part of the committees' business process. Operational support was also begun for a number of selected committees. This involves identifying solutions for exchanging messages between the e-mail systems of the Member States Administrations, including Administrations from EFTA (European Free Trade Association) countries using the infrastructure that is already in place. One of the greatest technical challenges has been page integrity: each document distributed electronically must have an identical presentation when printed out and discussed during a committee meeting. The variety of languages used in the documentation is a further challenge.

Financial review

For the year ended 30 June 1996, revenues and earnings were again at record levels. An excellent overall performance in continental Europe and substantial profit growth in all regions resulted in group profits before tax rising 22% to £24.7 million (1995 – £20.3 million) on turnover up 14% at £284.8 million (1995 – £250.1 million). Earnings per share rose 25% to 27.1p (1995 – 21.7p). The directors are recommending an increased final dividend of 4.8p to give a total dividend for the year of 7.8p, an increase of 25%.

United Kingdom 1996 was another year of solid performance for our UK operations with operating profit increasing 15% on revenues up 11%: margins, at 9.8%, were very close to our 10% target. Our UK business plays a major role in developing Logica's business elsewhere in the world, and exports rose 18% to nearly £29 million. In the UK we achieved good growth in the finance and industry sectors, with market conditions generally positive in all our sectors, although in some government areas procurement was slowed by delays related to the Private Finance Initiative. During the year we sold our interest in Speedwing Logica Limited to our partner British Airways and have found that the more flexible arrangements which resulted have helped us tackle this market sector more effectively. In April we took on NatWest Bank's Integrated Work unit, comprising around 120 skilled staff. This gives us valuable customer relationships and some attractive call centre and workflow management products, thus strengthening our capabilities in this growth area. We have also made worthwhile progress in extending our capabilities in senior consultancy and our offerings in applications management.

Continental Europe Revenues from continental European operations grew 35%. In order to secure this growth we invested in a number of start-up operations and additional marketing expense. This depressed margins to 9.6%, a little below our target. However, operating profits still grew 26%. Significant growth was achieved in The Netherlands and in Germany, with the latter benefiting from an integrated approach together with our Swiss operation. We established a firm foothold in the Czech Republic. Rapid growth was achieved in the finance sector, in government, industry and transport. Energy and utilities business declined as key contracts came to an end while telecoms effort was successfully directed at new export markets in the US and the Asia Pacific region. Performance at our Italian affiliate Logicasiel continued to improve as the benefits of new management, a more focused approach and closer integration with the rest of Logica began to be realised.

North America In North America we have deliberately looked to improve margins even at the expense of revenue growth. Margins, while still weak at 3.3%, nearly doubled over the previous year. Revenues declined 4% for the full year as we trimmed back some marginal activities in the finance sector; however they stabilised in the second half. Concentration on key market sectors where we believe that we can differentiate ourselves is starting to pay off. Significant growth was achieved at our Synercom work management information system division, recovering from the delayed launch of a new product in the first half.

Asia Pacific/Middle East Strong revenue growth of 24% was achieved in our Asia Pacific/Middle East region, with profits nearly doubling to £0.6 million. Growth was achieved in all key territories and was concentrated in the telecoms sector. Profitability was adversely affected by the dispersed nature of our Far Eastern operations and these are now being more tightly focused on key countries. Encouraging progress was made by our start-up operation in New Zealand where important contracts were won in the finance and energy and utilities sectors.

Staff Total staff numbers, excluding our associated company Logicasiel, grew 4% during the year and reached 3,620. The staff transferred from NatWest were slightly fewer than those transferred out when we sold our interest in Speedwing Logica. Pressure on staffing increased during the year with increased demand in the industry but we were still able to meet our needs with both a further substantial graduate intake and hiring of more

Analysis by market sector



- 1 Finance 34%
- 2 Telecommunications 11%
- 3 Energy & utilities 12%
- 4 Defence 9%
- 5 Government 9%
- 6 Industry 14%
- 7 Transport 7%
- 8 Space 4%

Analysis by client location



- 1 United Kingdom 48%
- 2 Continental Europe 28%
- 3 North America 12%
- **4** Asia Pacific/ Middle East 12%

experienced staff. We continue to use the 'Logica Way' performance oriented approach to the management and development of staff and have increased our training efforts in most of our units. Further increases are planned for 1997. To enhance our performance oriented approach we are introducing profit based pay schemes throughout the group tailored to match local operational and employment conditions. During the year, to further enhance internal communications and co-operation, an employee communication forum was established. Initially consisting of elected representatives from the European subsidiaries, it is the intention in due course to invite representation from all group companies worldwide.

Operations We are committed to maximising value for our customers. One important way in which we can achieve this is by bringing the wealth of our experience in delivering business-critical IT systems around the world to bear on every assignment we undertake – to provide consistency, quality and reliability. In the last year we have invested in capturing our key business methods into a framework called Cortex, and we are using this as the basis for training our staff, sharing best practice and for delivering to our customers. Cortex has been well received by both customers (who are already seeing this as a key differentiator for Logica) and by staff.

As part of our international development we have reorganised some parts of the business into global units tightly focused on key competencies. These are in selected areas where Logica has significant capabilities and where customers around the world are having to tackle similar problems. Coupled with strong local account relationships these will help us bring to bear our expertise more effectively to meet customer needs. The areas we have selected are customer care systems, retail delivery systems in banking, mobile telephone billing systems and work management systems for utilities. Reflecting Logica's international spread, the first two are headquartered in the UK while the other two are in The Netherlands and the USA.

Finance Net cash balances at year end were £20.1 million, an increase of £3.1 million. Additional requirements for funding work in progress and to fund fixed and working capital resulting from growth were met from cash flow. Interest income improved reflecting higher average cash balances. The tax rate improved further from 35.3% to 32.9% as tax losses principally in Germany and the USA were utilised. Assuming continued profitability in these territories the consolidated tax rate should remain below the normal rate in 1996/97.

Although the group has substantial net cash balances, adequate bank facilities are maintained both to provide liquidity and to enable the group to provide the necessary bonds and guarantees to customers and to carry out necessary foreign exchange transactions. The group operates a conservative foreign exchange and interest rate management philosophy, generally hedging only firm transaction exposures or purchasing options to cover potential risks. Over the medium term, it is the general policy of the group to maintain a conservative balance sheet and borrowing position to underpin the operations of the business.

As announced last year, the interim and final dividends were rebalanced to reduce the disproportionate level of the final dividend. As a consequence the interim dividend was increased 71% and the final recommended dividend has been raised to give a total increase for the year of 25%. The resulting 40/60 split is more in line with profitability and with shareholders' interests.



Logica plc board and senior management

F Barlow (non-executive chairman) **# M P Read (managing director and chief executive) ** M M Anid * D Craig * E Filkin # A F Given * L Julien * J A P McKenna * P J Vinken # R Wakeling # J I Yates *

1 **Frank Barlow** (66) Frank joined the board as a non-executive director in 1995 and became chairman in November 1995 following the retirement of Paul Bosonnet. He is managing director of Pearson plc, a director of The Economist Group and was chairman of BSkyB until 1995. He is also chairman of the *Financial Times* and chairman of Channel 5.

2 Martin Read (46) Martin joined the board as managing director and chief executive in 1993. He was formerly managing director of Marconi Radar and Control Systems Limited, and supervisory managing director of EASAMS, the GEC-Marconi Research Centre, GEC Computer Services and GEC-Marconi Software Systems. He is a non-executive director of Asda Group plc.

3 **Mario Anid** (38) Mario joined the executive committee in April 1995 as corporate development director and now has responsibility for Logica's international lines of business. He was previously corporate development director at Sema Group plc.

4 **Duncan Craig** (47) Duncan joined the board in 1991 and is responsible for continental European operations. He joined Logica in 1971 and has been based in the Netherlands since 1974. 5 **Elizabeth Filkin** (55) Elizabeth joined the board as a non-executive director in 1995. She is The Adjudicator for the UK Inland Revenue, Customs & Excise and The Contributions Agency, and a non-executive director of Britannia Building Society.

6 **Andrew Given** (48) Andrew joined the board in 1990 as director of finance and planning, and is now group finance director and company secretary. He was formerly group finance controller for Plessey Company plc.

7 **Laurence Julien** (50) Laurence joined the executive committee in 1996 as supervisory managing director of UK operations, following the retirement of Cliff Preddy. He joined Logica in 1980 and has held line management positions since 1984.

8 **Jim McKenna** (41) Jim joined the executive committee in 1993 as group personnel director and is also responsible for Asia Pacific operations. He was formerly personnel director of Marconi Radar and Control Systems Limited, and was also supervisory personnel director for other companies within the Marconi Radar and Control Systems group. t board member

- * executive committee member
- # non-executive director

9 **Richard Wakeling** (49) Richard joined the board as a non-executive director in 1995. He is a non-executive director of Costain Group, Staveley Industries, Oxford Instruments, HTR Income & Growth Split Trust and Bain Hogg Group, and deputy chairman of Celtic Group.

10 **Jim Yates** (47) Jim joined the executive committee in 1994 and is responsible for Logica's operations in the United States. He was previously managing director of GEC Information Systems, which includes GEC Marconi Software, GEC Computer Services and GEC Marconi's simulation and emergency services businesses.

Pierre Vinken (68) not pictured. Pierre, a non-executive director, joined the board in 1990, having previously served on the board of directors for Logica BV since 1985. He retired as chairman of Reed Elsevier plc last year.

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Report of the directors

The directors present their report together with the accounts of the company and its subsidiaries for the year ended 30 June 1996. These will be laid before the shareholders at the annual general meeting to be held on 13 November 1996.

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, applications management 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 Consolidated turnover amounted to £284.8 million, compared with £250.1 million for the previous year, representing an increase of 14%. Profit after tax was £16.6 million compared with a profit after tax of £13.2 million for the previous year, an increase of 26%. Earnings per share were 27.1p (1995 – 21.7p), an increase of 25%.

Net cash balances at year end stood at £20.1 million (1995 – £17.0 million).

The directors are recommending a final dividend of 4.8p per share net, making 7.8p per share net for the year, up 25% on the previous year. If approved, the final dividend will be paid on 14 November 1996 to eligible shareholders on the register at close of business on 1 October 1996.

Retained profits amounting to £11.8 million have been carried to reserves (1995 – \pounds 9.4 million).

Business review A review of the development of the business during the year is given on pages 1 to 5 and pages 22 and 23. Included in the review are references to Logica's future prospects. **Disposal** On 1 October 1995, Logica plc disposed of its 49% shareholding in Speedwing Logica Limited for a consideration of £0.4 million.

Creditor payment policy The Companies Act 1985 (Miscellaneous Accounting Amendments) Regulations 1996 requires the company to make a statement of its policy on the payment of creditors. The company seeks the best possible terms from suppliers appropriate to its business and, in placing orders, gives consideration to quality, delivery, price and the terms of payment which will be agreed with suppliers when the details of each transaction are agreed. The company will continue to honour its contractual and other legal obligations and to pay creditors on the dates agreed in contract and purchase orders.

Research and development During the year, Logica invested £6.7 million in research and development (1995 – £6.6 million). These figures are net of funding by European research institutions and other clients. No development costs have been capitalised.

Directors The directors are listed on page 25.

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

- on 31 July 1995, Colin Rowland resigned as a director
- on 8 November 1995, Paul Bosonnet, Philip Hughes and Len Taylor resigned as directors.

On 31 July 1996, Cliff Preddy resigned as a director.

The interests of the directors in the shares of the company are shown in the report of the remuneration committee.

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.

Directors' and officers' insurance The company maintains insurance cover for all directors and officers of group companies

against liabilities which may be incurred by them while acting as directors and officers.

Substantial holdings The directors'interests are described in the report of theremuneration committee. In addition, at11 September 1996 the company had beennotified of the following interests of 3% ormore in the company's share capital:NameNo of SharesLloyds TSB Group Plc3.109.0894.91

Group of Companies	2,092,332	3.30
Prudential Corporation		

Employment policies The group operates in a number of countries and its employment practices vary to meet local conditions and requirements. In all cases they are established on the basis of best practice in that country. It is group policy to ensure equal opportunity for employment of disabled people, racial minorities and women. Wherever possible the employment of members of staff who become disabled will be continued and appropriate training and career development will be offered.

Employee participation One of the group's key objectives is to achieve a shared commitment by all employees to the success of the business. Throughout the world there is close consultation between employees and management on matters of mutual interest, and information is disseminated through individual performance reviews, team briefings and inhouse newsletters. All staff receive a copy of the annual report and accounts.

Employees are encouraged to participate in the progress and profitability of the group through profit related reward schemes, savings related share option schemes and performance related bonus payments.

Fixed assets The changes in the fixed assets of the group are disclosed in notes 10 and 11 to the financial statements.

Auditors Price Waterhouse have expressed their willingness to continue in office. A resolution will be proposed at the annual general meeting for their reappointment as auditors and authorising the directors to fix their remuneration.

CREST An electronic system for settling trades in securities has been developed by CRESTCo Limited and is due to commence operations shortly. Participation is voluntary and it is expected that the company's shares will join CREST during December 1996. Pursuant to the Uncertificated Securities Regulations 1995, a resolution of the board was passed on 11 September 1996 and the notice required to be given to shareholders is set out in 'Information for Shareholders'. A leaflet, 'CREST: what it means to you the private shareholder', produced by CRESTCo Limited, is enclosed in shareholders' copies of the report and accounts for information.

Authority to allot securities Resolution No. 6 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 1997 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 amount of shares subject to such an authority would be 16,638,646 representing 26.3% of the company's total issued share capital at 11 September 1996. The directors do not have any present intention of exercising this authority, other than in connection with the group'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 1995 should be renewed in similar terms. Accordingly, a Special Resolution to this effect is proposed as Resolution No. 7 in the notice of the forthcoming annual general meeting. The proposed authority expires at the date of the 1997 annual general meeting and permits the directors during this period to issue up to a maximum of 3,000,000 shares (representing 4.7% of the issued share capital at 11 September 1996) without first offering them to existing shareholders.

By order of the board **A F Given** Secretary 11 September 1996

Corporate governance

The directors are pleased to confirm that, in accordance with the obligations contained in, and annexed to, the Listing Rules of the London Stock Exchange, in their opinion, the company complied (i) throughout the financial year with all the provisions of the Code of Best Practice published by the Committee on the Financial Aspects of Corporate Governance (the Cadbury Report) and (ii) from 16 August 1995, when Dr Martin Read resigned as a member of the remuneration committee, with Section A of the Best Practice Provisions issued by the Greenbury Committee.

The audit committee, chaired by Richard Wakeling, also comprises Elizabeth Filkin and Frank Barlow. Frank Barlow was appointed to the committee on 8 November 1995 and Philip Hughes and Len Taylor resigned from the committee on the same date. 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, and internal management and financial controls. The chief executive and finance director attend the meetings at the request of the committee.

The remuneration committee, chaired by Elizabeth Filkin, also comprises Frank Barlow and Richard Wakeling. On 16 August 1995, in line with the recommendations of the Greenbury Committee, Dr Martin Read resigned as a member of the committee. Paul Bosonnet and Philip Hughes resigned as members of the committee on 8 November 1995. Its key role is to determine the appropriate levels of remuneration for executive directors and senior management of the company and its subsidiaries. The report of the remuneration committee is set out on pages 29 to 32.

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.

Going concern The directors, having made enquiries, consider that the company and the group have adequate resources to continue in operational existence for the foreseeable future, and therefore it is appropriate to maintain the going concern basis in preparing the financial statements.

Internal financial controls The directors are responsible for the group's system of internal controls. In order to discharge that responsibility in a manner which ensures compliance with laws and regulations and promotes effective and efficient operations, the directors have established an organisation structure with clear operating procedures, lines of responsibility, delegated authority and an established framework of internal controls through published manuals, the more important elements of which are as follows.

- Financial reporting there is a comprehensive system for reporting performance. At the beginning of each year a three year strategic plan and a one year budget are approved by the board. Each unit prepares a monthly comparison of results against budget. Forecasts are prepared regularly throughout the year.
- Ouality and integrity of personnel the integrity of the group is maintained through the appointment of experienced and professional staff. The policies under which they operate are detailed in the group policy manual.
- Operating unit controls financial controls and procedures to be adopted at unit level, including information systems controls, are detailed in policies and procedures manuals approved by executive management.
- Functional reporting the group has identified a number of key risks facing the business which are subject to regular reporting to board members. These include major project performance, research and development projects, treasury operations and legal matters.

• Compliance monitoring – the group does not have an internal audit department. The responsibility for monitoring operating unit performance and carrying out reviews of key financial systems and controls is vested in head office and regional finance staff. The external auditors meet with the audit committee at least twice a year and report formally to them on internal controls at least annually.

The directors have reviewed the effectiveness of the system of internal control in operation during the financial year through the compliance monitoring process set out above and by reports from senior managers concerning the operations for which they are responsible. It must be recognised that such a system can provide only reasonable, and not absolute, assurance and, in that context, the review revealed nothing which, in the opinion of the directors, indicates that the system was inappropriate or unsatisfactory.

By order of the board **A F Given** Secretary 11 September 1996

Report of the remuneration committee

The remuneration committee The

remuneration committee deals with the remuneration of senior executive management on behalf of the board and shareholders. It has agreed a framework of policies within which it sets the remuneration package for each executive director.

Remuneration policies The basic objectives of the remuneration committee's policies are that executive directors should receive compensation which is appropriate to their scale of responsibility and performance and which will attract, motivate and retain executives of the necessary calibre. In framing the remuneration policies, the remuneration committee has given full consideration to Section B of the Best Practice Provisions of the Listing Rules of the London Stock Exchange and to Sections C and D of the Greenbury Code of Best Practice.

The remuneration packages of executive directors consist of annual salary, an annual cash bonus plan, a long-term incentive scheme plus health and car benefits, life assurance and permanent health insurance which are standard to all Logica employees in the relevant subsidiaries. Pension arrangements may be different and are detailed below. Performance targets for the incentive plans are established to achieve consistency with the interests of shareholders, with an appropriate balance between longand short-term goals.

Summary of remuneration (See page 30)

Salaries of executive directors In setting salary levels in 1995, the committee was assisted by a report from independent professional consultants in which the remuneration packages for executive directors and members of the executive committee were compared with those for jobs of similar type and seniority in computer services companies headquartered in the UK and direct market competitors of Logica. The committee considered the success of the company's operations in the previous year and individual performance. As a result, executive directors received salary increases of between 0% and 8%, effective July 1995.

Bonuses Annual cash bonuses are based partly on targets linked to a financial performance measure which generates a baseline bonus and partly on individual performance against personal objectives which generates a multiplier to be applied to the baseline bonus. For executive directors the 1996 financial performance measure was earnings per share (EPS) with a target range of 25.3p to 30.9p (EPS for the year ended 30 June 1995 was 21.7p).

The financial performance measures have been selected for 1997. Since the company has not published a profit forecast for the year, bonus targets cannot be disclosed. However, no payout will occur unless there is significant

Emoluments of directors				Contractual			Pension	Pension	Long-term	Long-term
	Salary	Performance	Benefits	termination	Total	Total	contributions	contributions	bonus	bonus
	and fees	related bonus	in kind	payment	1996	1995	1996	1995	1996	1995
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chairman and executive directors										
F Barlow	38		-		38	8		-	8 <u>2</u>	12
P G Bosonnet	47		-		47	33		-	19	-
M P Read	195	22	11	12	228	243	49	44		
D Craig	157	18	4		179	184	18	14	122	-
A F Given	142	17	7		166	179	20	13	201	-
C S F Preddy	130	13	9		152	171	22	11	166	-
C G Rowland	9	-	1	127	137	144	÷	9	214	
A L Karney	1.00	=	-	377		175	1.00	3	35	35
Subtotal	718	70	32	127	947	1,137	109	94	581	35
Non-executive directors										
E Filkin	15	-	-	S==	15	8		-	-	
P A B Hughes	6	1	100	-	6	17	-	-		-
L A Taylor	6	12		811 - E	6	15		-	-	-
P J Vinken	15	-	-	3 	15	15	-	-		100
R Wakeling	15	100		-	15	8	-	-	12	-
Subtotal	57	-		24	57	63	-		-	-
Total	775	70	32	127	1,004	1,200	109	94	581	35

F Barlow appointed non-executive chairman on 8 November 1995. P G Bosonnet resigned as chairman and non-executive director on 8 November 1995. P A B Hughes resigned 8 November 1995. A L Karney resigned 31 October 1994. C G Rowland resigned 31 July 1995.

Options to subscribe for ordinary shares of the company held by directors are:

	Options	Options granted duri	ons granted during the year Options exercised during the year				Earliest date by which all				
	held at 1 July 1995	at 481p	at 482p	at 155p	at 166p	at 169p	at 240p	at 295p	Options held at 30 June 1996	Weighted average exercise price	2
M P Read	97,000								97,000	252	23/09/96
D Craig	45,897	632	35,000	(20,000)					61,529	352	07/11/98
A F Given	73,225		35,000						108,225	309	01/02/00
C S F Preddy	89,229		35,000		(2,123)	(35,000)	(20,000)	(25,000)	42,106	435	01/02/99
Total	305.351	632	105,000	(20,000)	(2,123)	(35,000)	(20,000)	(25,000)	308,860		

Options by exercise price

Total	305,351	632	105,000	(20,000)	(2,123)	(35,000)	(20,000)	(25,000)	308,860	
482p	0		105,000						105,000	
481p	0	632							632	
296p	897								897	
295p	55,000							(25,000)	30,000	
266p	3,787								3,707	
256p	2,668								2,668	
252p	97,000								97,000	
240p	20,000						(20,000)		0	
200p	3,824								3,824	
169p	95,000					(35,000)			60,000	
166p	2,123				(2,123)				0	
155p	20,000			(20,000)					0	
153p	5,052								5,052	

The market price of the shares at 30 June 1996 was 645p (1995 - 375p).

Share related bonus scheme

At 30 June 1996 the benefits attributable to directors in respect of the financial year, which will be shown as directors' remuneration when paid, was £1,342,110 (1995 - £656,640). The cumulative amount attributable to directors under the scheme at 30 June 1996 was £1,916,000 (30 June 1995 - £868,190).

	Units held at 1 July 1995	Units granted during the year at 375p	Units exercised during the year at 477p	Units exercised during the year at 482p	Units exercised during the year at 533p	Units held at 30 June 1996	Weighted average grant price
M P Read	253,000	75,000				328,000	246
D Craig	90,000					90,000	271
A F Given	110,000				(70,000)	40,000	304
C S F Preddy	110,000			(70,000)		40,000	304
C G Rowland	100,000		(100,000)	507 775095 1145		0	0
Total	663,000	75,000	(100,000)	(70,000)	(70,000)	498,000	

Long-term bonus units by exercise price

Total	663,000	75,000	(100,000)	(70,000)	(70,000)	498,000
75p	0	75,000				75,000
304p	150,000		(30,000)			120,000
270p	130,000		(35,000)	(35,000)	(35,000)	25,000
220p 267p	100,000					100,000
20p	130,000		(35,000)	(35,000)	(35,000)	25,000
171p	150,000					150,000
52p	3,000					3,000

year-on-year growth in profit. Annual cash bonuses, which are capped at 50% salary for 1997, do not form part of pensionable earnings.

Employment contracts The employment contract of Dr Martin Read (managing director and chief executive) requires the employee to give three months' notice of termination and the company one year. The terms for the other executive directors are for three months from the employee and, save Duncan Craig whose employment relationship is governed by Dutch law, 50 weeks' notice from the company.

Pensions Andrew Given and Cliff Preddy are members of the Logica UK pension scheme which is a defined contribution scheme with standard employee and employer contribution levels of 4% and 8% respectively.

The company pays a total of 25% of salary as employer contributions into various defined contribution plans and a Funded Unapproved Retirement Benefit Plan on behalf of Dr Martin Read.

Duncan Craig, who is based in The Netherlands, participates in the standard local company pension plan and the employer contributions total 11.33% of salary.

Long-term incentives

Share option plan Logica operates a performance linked share option plan geared to share price or EPS. Options may be exercised between three and ten years following grant, provided the performance criteria have been met. For options granted in 1994 at share prices of 296p, 296p and 349p, the performance criteria required the share price to achieve at least £4.50, £4.00 and £4.50 respectively on any 22 consecutive days since the date of grant. These conditions have been met. For the 1995 grant, the performance criteria required EPS to be in excess of 30p in each of any two consecutive financial years of the company between 1 July 1995 and 30 June 2000 (EPS for the year ended 30 June 1995 was 21.7p).

Invitations to apply for options under this plan are made to the most senior executives and managers across the group as a combined reward and incentive for those who have made a major contribution to the business and will continue to have a key role in helping the group achieve its strategic objectives. Additionally, awards are made to key staff with high potential or in recognition of significant achievements. In 1995, a total of 596,500 share options were granted under this scheme, including 105,000 to the executive directors. Dr Martin Read was excluded from this plan but received an award under the share related bonus scheme in accordance with the terms of his original contract of employment.

The term of this executive share option scheme has now expired and the company will be seeking shareholder approval at the annual general meeting for the adoption of a new scheme. The proposed replacement scheme has been approved by the Association of British Insurers (ABI) and takes into account the current guidelines of institutional shareholders and current best practice.

Share related bonus scheme The share related bonus scheme is a long-term cash bonus plan based on the increase in the open market share price over the grant price of long-term bonus units. Exercise can take place at any time between three and ten years after the start date. Amounts payable under the scheme are charged to the profit and loss account to the extent that they are not hedged by the purchase of shares in the company by the employee share ownership plan trust.

For units granted in 1994 at a share price of £3.04, the performance criteria required the share price to achieve at least £4.50 on any 22 consecutive days since the date of grant. This condition has been met.

As a condition of his employment contract, Dr Martin Read received three tranches of units under this scheme in 1993 (153,000), 1994 (100,000) and 1995 (75,000). The number of units under the second and third tranches were dependent on the achievement of performance criteria based on growth in EPS. The maximum conditions, which required EPS to grow from its level of 8.7p at 30 June 1993 to in excess of 20p, have been met in each year. On 28 July 1996, when the share price was £6.325, Dr Martin Read exercised the 153,000 units granted to him in 1993.

All-employee share schemes All-employee share schemes, following the model of the Inland Revenue approved SAYE (save as you earn) schemes have recently been renewed. New schemes were launched in Sweden, Belgium and Australia in 1995. The executive directors may participate in the relevant scheme. **Directors' interests** The interests of the directors at the year end in the shares of the company are:

	30	June 1996 Non-	30	June 1995 Non-
	Beneficial	Beneficial	Beneficial	Beneficial
D Craig	35,939	0	23,939	0
A F Giv e n	2,000	0	0	0
C S F Preddy	46,000	0	41,477	0
P J Vinken	49,000	0	49,000	0

At 30 June 1996, the employee share ownership plan trust owned 1,406,057 shares. On 5 July 1996, 26 July 1996, 16 August 1996 and 30 August 1996 the holding of the employee share ownership plan trust reduced by 2,500, 6,589, 1,500 and 2,956 shares respectively following the exercise of options by employees. Each of the executive directors is also deemed to be interested in these shares as a potential beneficiary of the trust. There have been no 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 financial statements.

Non-executive directors' remuneration

The remuneration of the non-executive directors is determined by the board based upon recommendations from Frank Barlow (chairman) and Dr Martin Read. The board has the power to pay additional remuneration for services outside the scope of the ordinary duties of a non-executive director, including committee membership.

The non-executive directors are not eligible for performance related bonuses and do not participate in any Logica pension arrangements.

E Filkin

Chairman of the remuneration committee 11 September 1996

Statement of directors' responsibilities

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 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 and company 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 company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the group's system of internal financial controls and 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 34 to 48 (including the additional disclosures on pages 29 to 32 relating to the remuneration of the directors specified for our review by the London Stock Exchange) which have been prepared under the historical cost convention and the accounting policies set out on pages 47 to 48.

Respective responsibilities of directors

and auditors As described on page 32, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those 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 group'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 1996 and of the profit and cash flows 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 11 September 1996

Financial statements

Consolidated profit and loss account

Dividends per share	7	7.8p	6.25p
Earnings per share	9	27.1p	21.7p
Retained profit for the year	20	11,760	9,350
Dividends paid and proposed	7	(4,820)	(3,800)
Profit on ordinary activities after taxation		16,580	13,150
Taxation on ordinary activities	6	(8,130)	(7,160)
Profit on ordinary activities before taxation		24,710	20,310
Interest	5	548	476
Profit on ordinary activities before interest		24,162	19,834
Share of profits of associated undertakings	2	524	429
Operating profit	2	23,638	19,405
Consolidated turnover	1	284,810	250,135
For the year ended 30 June	Note	£'000	£'000
		1996	1995

Statement of total recognised gains and losses

		1996	1995
For the year ended 30 June	Note	£'000	£'000
Profit attributable to shareholders	20	16,580	13,150
Currency translation differences arising on foreign currency			
net investments	20	(389)	923
Total recognised gains and losses		16,191	14,073

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

Consolidated balance sheet

			1996		1995
At 30 June	Note	£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	10	22,677		19,940	
Investments	11	8,033		6,046	
			30,710		25,986
Current assets					
Debtors	13	77,174		62,624	
Cash at bank and in hand	22	20,105		18,317	
		97,279		80,941	
Creditors – amounts falling due within one year					
Bank loans and overdrafts	22	(10)		(1,284)	
Other	14	(56,130)		(47,362)	
	75035	(56,140)		(48,646)	
Net current assets			<mark>41,1</mark> 39		32,295
Total assets less current liabilities			71,849		58,281
Creditors – amounts falling due after more than					
one year	15		(463)		(428
Provisions for liabilities and charges	16		(1,046)		(1,452
Net assets			70,340		<mark>56,401</mark>
Capital and reserves					
Share capital	19		6,332		6,219
Share premium account	20		14,977		12,522
Special reserve	20		143		143
Other reserves	20		2,666		2,946
Profit and loss account	20		46,222		34,571
Shareholders' funds – equity			70,340		56,401

Dr M P Read A F Given

Directors 11 September 1996

Consolidated cash flow statement

		1996	1995
For the year ended 30 June	Note	£'000	£'000
Net cash inflow from operating activities	21	20,065	16,918
Returns on investments and servicing of finance			
Interest received		645	693
Interest paid		(92)	(191
Interest element of finance lease rental payments		(5)	(26
Dividends received from associated undertakings	11	455	172
Dividends paid to shareholders		(4,580)	(3,246
Net cash outflow from returns on investments and			
servicing of finance		(3,577)	(2,598
Taxation			
United Kingdom corporation tax paid		(4,524)	(2,724
Overseas tax paid		(1,490)	(2,134
Tax paid		(6,014)	(4,858
Investing activities			
Purchase of tangible assets		(8,277)	(6,263
Purchase of investments	11	0	(120
Purchase of business undertakings		0	(2,617
Purchase of own shares by ESOP Trust	11	(2,619)	(1,221
Sales of tangible assets		11	82
Sale of investments		380	286
Sale of own shares by ESOP Trust	11	674	473
Net cash (outflow) from investing activities		(9,831)	(9,380
Net cash inflow before financing		643	82
Financing			
Shares issued (net of expenses)		2,568	998
Capital element of finance lease rental payments		0	(74
Net cash inflow from financing		2,568	924
Increase in cash and cash equivalents	22	3,211	1,006

Company balance sheet

			1996		1995
At 30 June	Note	£'000	£'000	£'000	£'000
Fixed assets – Investments	11		49,429		47,515
Current assets					
Debtors	13	852		1,299	
Cash at bank and in hand		4,901		2	
		5,753		1,301	
Creditors – amounts falling due within					
one year	14	(7,169)		(3,467)	
Net current assets			(1,416)		(2,166)
Net assets			48,013		45,349
Capital and reserves					
Share capital	19		6,332		6,219
Share premium account	20		14,977		12,522
Special reserve	20		23,261		23,261
Profit and loss account	20		3,443		3,347
Shareholders' funds – equity			48,013		45,349

Dr M P Read

A F Given Directors

11 September 1996

1 Segmental information

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			Int	er-segment		
	T	otal turnover		turnover	Exte	nal turnover
Geographic areas	1996	1995	1996	1995	1996	1995
Analysis by location of operation	t'000	£'000	£'000	£'000	£'000	£'000
United Kingdom	168,672	152,826	(5,384)	(5,253)	163,288	147,573
Continental Europe	63,899	47,993	(2,403)	(2,590)	61,496	45,403
North America	38,616	42,374	(1,051)	(3,367)	37,565	39,007
Asia Pacific and Middle Eas	22,536	18,383	(75)	(231)	22,461	18,152
Consolidated turnover	293,723	261,576	(8,913)	(11,441)	284,810	250,135

		Net assets		Profit before taxation
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
United Kingdom	37,440	34,323	15,922	13,798
Continental Europe	10,056	6,177	5,874	4,662
North America	5,538	2,812	1,254	647
Asia Pacific and Middle East	191	(1,204)	588	298
	53,225	42,108	23,638	19,405
Share of profits of associated undertakings	-		524	429
Total segment	53,225	42,108	24,162	19,834
Cash less bank borrowings/net interest	20,095	17,033	548	476
Dividends proposed	(2,980)	(2,740)	-	5
Net assets/profit before taxation	70,340	56,401	24,710	20,310
			Exter	nal turnover
Geographic markets			1996	1995
Analysis by location of client			£'000	£'000
United Kingdom			135,742	124,175
Continental Europe			79,312	65,202
North America			35,920	35,452
Asia Pacific and Middle East			33,836	25,306
Consolidated turnover			284,810	250,135

External turnover and operating profit for each geographical area exclude any contribution from 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.

2 Operating profit

		1996	1995
	Note	£'000	£'000
Consolidated turnover		284,810	250,135
Materials and other external charges		52,124	48,335
Staff costs	3	142,231	127,362
Depreciation	10	5,465	4,595
(Profit) on disposal of fixed assets		(307)	(232)
Auditors' remuneration and expenses		282	262
Fees paid to auditors for non-audit related work (UK)		108	<mark>1</mark> 12
Fees paid to auditors for non-audit related work (overseas)		<mark>16</mark> 3	94
Hire of plant and machinery		1,998	1,417
Operating lease rentals		11,522	11,692
Other operating charges		47,586	37,093
Operating costs		261,172	230,730
Operating profit		23,638	19,405
Share of profits of associated undertakings		524	429
Profit on ordinary activities before interest		24,162	19,834

3 Staff

Staff numbers	1996	1995
Average staff numbers employed during the year were based as follows:		
United Kingdom	2,304	2,101
Continental Europe	667	546
North America	455	538
Asia Pacific and Middle East	188	173
Total	3,614	3,358
Total staff numbers at 30 June	3,623	3,472

The average number of staff employed worldwide during the year, including associated undertakings, was 3,795 compared with 3,688 in 1995.

Staff costs	£'000	£'000
Wages and salaries	125,376	111,670
Social security costs	11,416	11,056
Other pension costs	5,439	4,636
	142,231	127,362

There are voluntary pension schemes in the UK. The Netherlands, Belgium, Hong Kong and Australia, all of which are defined contribution schemes. The defined contributions, consisting of a fixed percentage of salary and voluntary contributions, are charged to the profit and loss account in the period to which they relate.

There are no unfunded liabilities in these schemes.

4 Directors

Directors' emoluments and interests are included within the report of the remuneration committee on pages 29 to 32.

5 Interest

	1996	1995
	£'000	£'000
Interest receivable	645	693
Interest payable and other financing costs	(97)	(217)

548

476

6 Taxation

1996	1995
£'000	£'000
6,368	5,586
(475)	(425)
(380)	(305)
5,513	4,856
2,450	2,157
117	(11)
2,567	2,146
50	158
8,130	7,160
	£'000 6,368 (475) (380) 5,513 2,450 117 2,567 50

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

Dividends paid and proposed	4,820	3,800
Final dividend of 4.8p (1995 – 4.50p)	2,980	2,740
Interim dividend of 3p (1995 – 1.75p)	1,840	1,060
	1996 £'000	1995 £'000

8 Profit attributable to members of the holding company

	1996	1995
	£'000	£'000
Dealt with in the accounts of the company	4,916	3,002

As permitted under 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 27.1p are based on the profit after tax of £16,580,000 and on a weighted average of 61,263,881 shares. Last year's earnings per share of 21.7p were based on the profit after tax of £13,150,000 and on a weighted average of 60,571,831 shares.

10 Tangible assets

	Freehold land and buildings £'000	Short leaseholds £'000	Equipment and plant £'000	Total £'000
Cost				
1 July 1995	3,836	9,922	36,497	50,255
Translation differences	8	(36)	18	(10)
Additions	96	902	7,279	8,277
Disposals	0	(992)	(2,506)	(3,498)
30 June 1996	3,940	9,796	41,288	55,024
Depreciation				
1 July 1995	456	5,007	24,852	30,315
Translation differences	0	(31)	17	(14)
Provided	41	573	4,851	5,465
Released on disposals	0	(992)	(2,427)	(3,419)
30 June 1996	497	4,557	27,293	32,347
Net book value at 30 June 1996	3,443	5,239	13,995	22,677
Net book value at 30 June 1995	3,380	4,915	11,645	19,940

11 Investments

		Associated un	dertakings			
	Shares at cost £'000	Retained profits £'000	Total £'000	Trade investments £'000	Own shares (ESOP) £'000	Total £'000
1 July 1995	911	980	1,891	476	3,679	6,046
Translation differences	0	55	55	0	(27)	28
Additions	0	0	0	0	2,619	2,619
Disposals	(5)	0	(5)	0	(674)	(679)
Dividends received	0	(455)	(455)	0	0	(455)
Share of retained profit for the year	0	474	474	0	0	474
30 June 1996	906	1,054	1,960	476	5,597	8,033

All investments are unlisted.

The group accounts for its advance to the Employee Share Ownership Plan Trust as a fixed asset investment. The Logica Employee Share Ownership Plan Trust is a discretionary trust which was established in September 1990 for the benefit of Logica staff. It has an independent, professional trustee (Mourant & Co Trustees Limited) and is currently financed by advances from the group. Costs of administering the Employee Share Ownership Plan Trust are charged to the profit and loss account as they occur. The trust purchases the company's shares in the market, for use in connection with the group's all-employee and discretionary share option schemes, and share related bonus scheme.

At 30 June 1996, the Employee Share Ownership Plan Trust owned 1,406,057 shares (1995 – 1,382,918 shares). Of this shareholding 1,008,886 shares (1995 – 743,951 shares) are under option to employees, and 397,171 shares (1995 – 617,500 shares) are held as a hedge for the share related bonus scheme.

The trustee 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 1996 amounted to £106,183 (1995 – £68,881).

Company		Subsidiary undertakings		Associated	Own shares	
	Shares £'000	Loans £'000	Total £'000	undertakings £'000	(ESOP) £'000	Total £'000
Cost						
1 July 1995	14,245	35,527	49,772	911	3,281	53,964
Additions	0	0	0	0	2,390	2,390
Disposals	0	0	0	(5)	(471)	(476)
30 June 1996	14,245	35,527	49,772	906	5,200	55,878
Provisions						
at 1 July 1995 and 30 June 1996	(787)	(5,662)	(6,449)	0	0	(6,449)
Net book value at 30 June 1996	5 13,458	29,865	43,323	906	5,200	49,429
Net book value at 30 June 1995	13,458	29,865	43,323	911	3,281	47,515

12 Capital commitments

	1996	1995
	£'000	£'000
Capital expenditure authorised and contracted	833	1,022
Capital expenditure authorised but not contracted	398	415

13 Debtors

	1996	1995
	£'000	£'000
Group		
Trade debtors	43,124	37,904
Amounts owed by associated undertakings	381	440
Other debtors	2,357	1,575
Prepayments and accrued income	5,740	5,699
Amounts recoverable on contracts	24,661	16,422
Deferred taxation (see note 17)	782	514
Taxation recoverable	72	20
Advance corporation tax	57	50
	77,174	62,624
Company		
Amounts owed by subsidiary undertakings	0	486
Other debtors	795	763
Advance corporation tax	57	50
	852	1,299

14 Creditors

Orealtors		
	1996	1995
Amounts falling due within one year	£'000	£'000
Group		
Payments received on account	5,568	4,699
Trade creditors	11,172	11,777
Accruals and other creditors	18,902	14,399
Amounts owed to associated undertakings	1	21
Taxation and other state creditors	16,285	12,784
Advance corporation tax	1,222	942
Dividends proposed	2,980	2,740
	56,130	47,362
Company		
Amounts owed to subsidiary undertakings	2,884	0
Accruals and other creditors	1,305	685
Advance corporation tax	0	42
Dividends proposed	2,980	2,740
	7,169	3,467

15 Creditors

Other creditors	463	428
Amounts falling due after more than one year	£'000	£'000
	1996	1995

16 Provisions for liabilities and charges

Post-retirement benefits	1,046	1,452
	£'000	£'000
	1996	1995

The movement in the provision comprises premiums paid of £142,000 (1995 – £136,000), net adjustments in respect of ex-employees who died during the year of £72,000 (1995 – f.nil), a release of £241,000 (1995 – f.nil) in respect of premiums not payable due to the better than expected performance from underlying investments, less £24,000 (1995 – £91,000) charged to the profit and loss account in respect of current employees and beneficiaries who left the group during the year, and an unfavourable exchange movement of £25,000 (1995 – favourable movement of £42,000).

17 Deferred taxation

Full provision is made in the accounts for deferred taxation as follows:

30 June 1996	(782)	(514)
(Release) in respect of current year	(263)	(316)
Translation differences	(5)	2
1 July 1995	(514)	(200)
The movement in the provision comprises:		
	(782)	(514)
Other short-term timing differences	(761)	(381)
Accelerated capital allowances	(21)	(133)
	£'000	£'000
	1996	1995

The deferred taxation asset is included in note 13.

18 Other financial commitments

At 30 June 1996 there were annual commitments under operating leases as follows:

	1996			1995	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000	
Expiring within one year	1,152	1,477	1,500	1,398	
Expiring in the second to fifth years	2,568	4,921	3,744	4,234	
Expiring after five years	5,969	0	5,815	0	
	9,689	6,398	11,059	5,632	

19 Share capital

	1996	1995
	£'000	£'000
Authorised share capital		
80,000,000 ordinary shares of 10p each	8,000	8,000
Called up share capital		
63,316,263 ordinary shares of 10p each	6,332	6,219

During the year 1,127,422 shares were issued under share option schemes as follows:

Granted	Exercise price (pence per share)	Number exercised
1985	165	4,362
1986	155	80,000
1986	206	50,000
1986	207	5,217
1987	248	1,718
1987	275	49,000
1987	277	2,814
1987	310	63,000
1988	240	57,000
1988	349	1,222
1988	382	34,000
1989	295	20,065
1989	326	53,000
1989	365	70,000
1990	166	336,315
1990	295	110,500
1991	200	6,875
1991	241	1,500
1992	153	7,160
1992	169	127,800
1992	186	24,000
1993	212	3,500
1993	217	15,000
1993	256	3,374

1,127,422

During the year 816,446 options were granted over both unissued and existing shares under employee share option schemes at prices ranging from 424p to 484p and exercisable from 1996 to 2006. Options granted under SAYE schemes were granted at a 10% discount to market price. Discretionary options were granted at market price. Of the options granted during the year, 585,500 options granted at 482p and 11,000 options granted at 484p only become exercisable if, in each of two consecutive financial years of the company beginning not earlier than 1 July 1995 and ending not later than 30 June 2000, the earnings per share of the company have been in excess of 30p.

At 30 June 1996, there were 3,273,043 options which had been granted under employee share option schemes at prices ranging from 153p to 484p and exercisable between 1996 and 2006.

20 Shareholders' funds

30 June 1996	6,332	14.977	23.261	0	3.443	48,013
Dividends paid and proposed					(4,820)	(4,820
Profit attributable to shareholders		w, 200			4,916	4,916
Share premium account		2,455				2,455
Issue of share capital	113		anna a transmith		and Activity of	113
Company 1 July 1995	6,219	12,522	23,261	0	3,347	45,349
30 June 1996	6,332	14,977	143	2,666	46,222	70,340
Transfers to other reserves				(382)	382	0
Dividends paid and proposed					(4,820)	(4,820
Profit attributable to shareholders					16,580	16,580
Share premium account		2,455				2,455
Issue of share capital	113					113
Exchange differences				102	(491)	(389
1 July 1995	6,219	12,522	143	2,946	34,571	56,401
Group		2 000		2000	1 000	1 000
	capital £'000	account £'000	reserve £'000	reserves £'000	account £'000	Total £'000
	Share	premium	Special	Other	and loss	-
		Share			Profit	

The cumulative amount of good will written off to reserves since 1 July 1990 amounts to £9,090,000 $(1995 - \pounds 9,090,000)$

21 Net cash inflow from operating activities

	20,065	16,918
Add: increase/(decrease) in creditors	5,893	(740)
Less: (increase) in debtors	(14,624)	(6,110)
Less: profit on disposal of associated undertaking/trade investment	(375)	(259)
Add: depreciation and loss on disposal of fixed assets	5,533	4,622
Operating profit	23,638	19,405
	£'000	£'000
	1996	1995

22 Analysis of cash balances

Total cash and cash equivalents	17,033	3,211	(149)	20,095
Bank loans and overdrafts	(1,284)	1,297	(23)	(10)
Cash at bank and in hand	18,317	1,914	(126)	20,105
	£'000	£'000	£'000	£'000
	1995	inflow	differences	1996
	1 July	Cash	Exchange	30 June
	Balance at			Balance at

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

23 Contingent liabilities

Subsidiary undertakings have provided indemnities to their bankers in support of performance bonds and guarantees amounting to £9,627,000 (1995 – £7,359,000). The company provides certain guarantees for its subsidiary undertakings in the normal course of business.

The company is aware of the following claims which involve legal proceedings against the group.

i) A claim against Logica Inc, and Logica plc as guarantor, by SDF Inc. The claim arises out of Logica Inc's purchase of certain assets of SDF Inc, formerly known as Precision Software Inc, in May 1994. SDF Inc is claiming entitlement to additional earn out payments, related damages and legal costs. The claim is being vigorously defended.

ii) A claim against Logica UK Limited in respect of a systems integration project undertaken for the National Rivers Authority. The Environment Agency (acting on behalf of the National Rivers Authority) is alleging breach of contract and misrepresentation and is claiming entitlement to repayment of moneys advanced and damages. Logica has lodged a counterclaim, claiming damages due to wrongful contract termination.

iii) Logica UK Limited has taken action against the Oslo Bors (the local Stock Exchange in Oslo) for the wrongful rescission of a system supply contract, claiming entitlement to remuneration for additional work performed under the contract, payment of an unpaid invoice and damages. The Oslo Bors has counterclaimed against the company for breach of contract, seeking to recover moneys advanced under the contract and damages. The directors are of the opinion, having regard to legal advice received, the group's insurance arrangements and provisions held, that it is unlikely that these matters will have a material effect on the group's financial position, results of operations or liquidity.

24 Principal operating subsidiary undertakings

Logica UK Limited (England) Logica BV (Netherlands)* Logica GmbH (Germany)* Logica Consulting AG (Switzerland)* – formerly Logica Informatik AG Logica SA (Belgium)* Logica Svenska AB (Sweden)* Logica Svenska AB (Sweden)* Logica s.r.o. (Czech Republic)* Logica Inc (USA)* Logica Inc (USA)* Logica Pty Limited (Australia)* Logica New Zealand Limited (New Zealand)* Logica Limited (Hong Kong)* Logica (Malaysia) Sdn Bhd (Malaysia)* 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.

25 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. Logicasiel SpA (Italy) principally operates in its country of incorporation.

Logica disposed of its interest in Speedwing Logica Limited (England) during the period.

Accounting policies

1 Basis of accounting The accounts are prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable UK accounting standards applied consistently throughout the year.

2 Basis of consolidation The financial statements include the accounts of Logica plc and all its subsidiary and associated

undertakings. The results of companies or businesses acquired or disposed during the year are dealt with from the date of acquisition or to the date of disposal.

The results of associated undertakings are calculated from the latest available audited accounts, adjusted to incorporate periods not covered by audited accounts. **3 Turnover** Turnover represents the value of work done for clients including attributable profit and after adjusting for all forseeable future losses but excluding local sales taxes.

4 Recognition of profits Profit on contracts for the supply of professional services at predetermined rates is taken as and when the work is billed, irrespective of the duration of the contract.

Profit is taken on fixed price contracts while 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.

5 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 spocific contracts.

6 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.

7 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:

Leasenoids	equally over life of leas
Office equipment	10%
Computer equipment	25%
Motor cars	25%
Plant	20%

8 Foreign currency transactions

Transactions in foreign currencies are translated at the rate of exchange on the date of the transaction or, if hedged, at the rate of exchange under the related forward exchange contract. Assets and liabilities in foreign currencies are translated at the year end rate of exchange or, if hedged, at the forward contract rate. The exchange differences are taken to the profit and loss account.

The results of overseas subsidiary and associated undertakings are translated into sterling at average rates for the year. The net assets of overseas subsidiary undertakings and related foreign currency debt financing those assets, together with investments in overseas associated undertakings, are translated at year end exchange rates. The exchange differences are taken to reserves and reported in the statement of total recognised gains and losses.

9 Non-pension post-employment benefits

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

10 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 the timing differences are expected, with reasonable profitability, to reverse in the foreseeable future.

11 Leases Assets financed by leasing agreements that give rights approximately 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.

Operating lease rentals are charged to the profit and loss account on a straight line basis over the life of the lease.

12 Goodwill Goodwill, being the difference between the cost of businesses acquired and the fair value of their separable net assets, is offset against reserves as it arises. Office addresses

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Board photography by Mike Abrahams Designed and produced by Addison Printed in the United Kingdom by CTD



