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COMPUTER SCIENCES COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 1989



Touche Ross & Co.
Hill House
1 Little New Street
London
EC4A 3TR

COMPUTER SCIENCES COMPANY LIMITED

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COMPUTER SCIENCES COMPANY LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Directors:

K.R. Barge
K. Nicol
W. Hoover
M. Pulliam
G. Barratt

Secretary:

D.J. Edwards

Registered Office:

Heathcoat House
20 Savile Row
London W1X 1AE

Auditors:

Touche Ross & Co.
Chartered Accountants

Bankers:

National Westminster Bank PLC

Solicitors:

- Simpson Millar
- Clifford Chance

COMPUTER SCIENCES COMPANY LIMITED

DIRECTORS' REPORT For the year ended 31 March 1989

1. ACTIVITIES

The company provides the services of consultants, systems analysts and computer programmers on a contract basis and remote computing services through its Infonet Division.

2. RESULTS AND DIVIDENDS

The profit after tax for the period amounted to £481,912 (1988 - £2,636,471). The company has paid an interim dividend of £1,970,053 (1988 - £1,400,000), no final dividend is proposed (1988 - £Nil). As a result of this the profit and loss account carried forward is £1,271,390.

3. REVIEW OF BUSINESS

A summary of the results of the years trading is given on page 5 of the financial statements.

Turnover has decreased during the year to £18,401,717. An analysis of turnover appears in note 2 to the financial statements, which shows that most of the decrease in turnover occurred in Contract Services.

On 1 November 1988 the assets of the Infonet division were sold at net book value to Infonet UK Limited a wholly owned subsidiary of Infonet Services Corporation of the USA. Computer Science Corporation of Nevada, USA retains a direct equity investment in Infonet Services Corporation.

The directors consider the state of affairs of the company to be satisfactory.

4. FUTURE DEVELOPMENTS

The company is pursuing several major opportunities in order to secure the growth projected in its three year plan.

5. DIRECTORS

The following persons were directors of the company during the period:

K.R. Barge	-	Chairman
K. Nicol	-	Managing Director
W. Hoover	-	(United States)
M. Pulliam	-	(United States)
G. Barratt	-	(United States)

None of the directors had a beneficial interest in any of the shares of the company during the period.

All directors served throughout the period.

COMPUTER SCIENCES COMPANY LIMITED

DIRECTORS' REPORT
For the year ended 31 March 1989

6. FIXED ASSETS

During the period the company acquired fixed assets amounting to £535,924 (1988 - £612,081).

7. DONATIONS

During the period the company made charitable donations of £3,368.

8. AUDITORS

The auditors, Touche Ross & Co., have signified their willingness to continue in office and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

By Order of the Board


D.J. EDWARDS

Secretary

14 July 1989

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 **Touche Ross**
Chartered Accountants

COMPUTER SCIENCES COMPANY LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 5 to 15 in accordance with approved Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 1989 and of its profit and source and application of funds for the year then ended and comply with the Companies Act 1985.

Touche Ross & Co.

Chartered Accountants

14 July 1989

COMPUTER SCIENCES COMPANY LIMITED

PROFIT AND LOSS ACCOUNT For the year ended 31 March 1989

	Note	1989 £	1988 £
Turnover	2(a)	18,401,717	22,191,391
Cost of sales		(14,208,699)	(14,519,648)
Gross profit		4,193,018	7,671,743
Administrative expenses		(3,691,206)	(3,401,698)
Other operating charges		(41,115)	(30,608)
		460,697	4,239,437
Interest receivable		346,115	77,479
Interest payable and similar charges	4	(34,229)	(41,892)
Profit on ordinary activities before taxation	5	772,583	4,275,024
Tax on profit on ordinary activities	6	(290,671)	(1,638,553)
Profit on ordinary activities after taxation		481,912	2,636,471
Dividend	7	(1,970,053)	(1,400,000)
Retained (loss)/profit for the financial year		(1,488,141)	1,236,471
Profit and loss account brought forward		2,759,531	1,523,060
Profit and loss account carried forward		£ 1,271,390 =====	£2,759,531 =====

COMPUTER SCIENCES COMPANY LIMITED

 Touche Ross

BALANCE SHEET 31 March 1989

	Note	£	1989	£	1988	£
FIXED ASSETS						
Tangible assets	8		1,277,646		1,268,696	
CURRENT ASSETS						
Stocks	9	249,676		215,166		
Debtors	10	3,260,080		6,024,107		
Cash at bank and in hand		<u>2,568,633</u>		<u>3,807,272</u>		
		6,078,389		10,046,545		
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	<u>(4,081,362)</u>		<u>(6,368,240)</u>		
NET CURRENT ASSETS			<u>1,997,027</u>		<u>3,678,305</u>	
TOTAL ASSETS LESS CURRENT LIABILITIES			3,274,573		4,947,001	
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	12		(10,201)		(20,558)	
PROVISIONS FOR LIABILITIES AND CHARGES	13		<u>(493,082)</u>		<u>(666,912)</u>	
			<u>£2,771,390</u>		<u>£4,259,531</u>	
			=====		=====	
CAPITAL AND RESERVES						
Called up share capital	14		1,500,000		1,500,000	
Profit and loss account			<u>1,271,390</u>		<u>2,759,531</u>	
			<u>£2,771,390</u>		<u>£4,259,531</u>	
			=====		=====	

Approved by the Board of Directors:

K. NICOL

K. R. BARGE

W. A. ...
K. R. Barge } Directors

14 July 1989

COMPUTER SCIENCES COMPANY LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS For the year ended 31 March 1989

	1989 £	1988 £
SOURCE OF FUNDS		
Profit on ordinary activities before taxation	772,583	4,275,024
Add items not involving movement of funds:		
Depreciation	333,318	284,032
(Decrease)/increase in provision for rectification costs	(173,830)	267,575
Loss on disposal of fixed assets	<u>20,562</u>	<u>-</u>
Total generated from operations	952,633	4,826,631
Funds from other sources		
Proceeds from issue of new shares	-	1,400,000
Sale of fixed assets	<u>173,094</u>	<u>-</u>
	<u>1,125,727</u>	<u>5,226,631</u>
APPLICATION OF FUNDS		
Dividends paid	(1,970,053)	(1,400,000)
Tax paid	(1,283,811)	(576,411)
Purchase of tangible fixed assets	<u>(535,924)</u>	<u>(612,081)</u>
	<u>(3,789,788)</u>	<u>(2,588,492)</u>
CHANGES IN WORKING CAPITAL		
Decrease in debtors	2,764,027	448,579
Increase in work in progress	(34,510)	(171,852)
(Decrease)/increase in creditors	1,293,692	2,033,683
Increase in amounts due from group companies	<u>(10,403)</u>	<u>(2,687,488)</u>
	<u>1,425,422</u>	<u>(377,078)</u>
(Decrease)/increase in net liquid funds	<u>£(1,238,637)</u>	<u>£3,261,061</u>

(Net liquid funds comprise cash and bank balances less overdrafts).

COMPUTER SCIENCES COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ending 31 March 1989

1. ACCOUNTING POLICIES

(a) Accounting convention

The financial statements are prepared under the historical cost convention.

(b) Turnover

Turnover represents the sales value net of VAT of contract services work carried out in the period and revenue for the 7 month period ending 31 October from the provision of Infonet remote computing services.

(c) Depreciation

Computer and communications equipment is amortised on a straight line basis over four years.

Other property and equipment are depreciated on a straight line basis over the period of their estimated useful lives as follows:

Furniture and fittings	-	five to ten years
Leasehold improvements	-	five to ten years

(d) Foreign currency

Monetary assets and liabilities denominated in foreign currencies have been translated into sterling at the rates of exchange applicable at the balance sheet date.

Sales in foreign currencies are converted into sterling at the average rates of exchange applicable for the month of service.
Gains and losses arising as a result of exchange rate movements during the year are included as part of the operating results of the company.

(e) Work in progress

Work in progress is stated at the lower of cost and net realisable value. Costs represents labour and appropriate overheads.

(f) Deferred taxation

Deferred tax is provided at the anticipated tax rate on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

COMPUTER SCIENCES COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ending 31 March 1989

1. ACCOUNTING POLICIES (continued)

(g) Leases

Rental costs under operating leases are charged to profit and loss account in equal annual amounts over the periods of the leases.

Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases. The excess of the lease payments over the recorded lease obligations are treated as finance charges which are amortised over each lease term on a straight line basis.

(h) Pension costs

Retirement benefits to employees of the company are funded by contributions from the company and employees. Payments are made to the Swiss Life Insurance and Pension Company who administer the scheme. These payments, which are made in accordance with periodic actuarial calculations, are charged against the profits of the period in which they become payable. Provision is made in the financial statements for any deficits disclosed by the latest actuarial valuations of the pension fund.

2. TURNOVER

(a) Analyses by class of business and geographical location of turnover are stated below:

	1989		1988	
	Contract Services £	For the 7 months to 30 October 1988 Infonet £	Contract Services £	Infonet £
UK	17,549,734	809,340	21,115,126	934,024
Overseas	<u>29,011</u>	<u>13,632</u>	<u>110,468</u>	<u>31,773</u>
	£17,578,745	£822,972	£21,225,594	£965,797
	=====	=====	=====	=====

(b) Analysis of profits before tax attributable to classes of business have not been disclosed as in the opinion of the directors this information will be detrimental to the interest of the company.

COMPUTER SCIENCES COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ending 31 March 1989

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1989 £	1988 £
--	-----------	-----------

(a) Directors' emoluments:

Fees	<u>98,634</u>	<u>94,457</u>
Other emoluments	<u>£98,634</u>	<u>£ 94,457</u>
	=====	=====
Remuneration of the Chairman	<u>£15,332</u>	<u>£ 13,042</u>
	=====	=====
Remuneration of the highest paid director	<u>£79,566</u>	<u>£ 79,825</u>
	=====	=====

None of the other directors were paid any emoluments.

(b) Related Party Transactions

Abarco Limited, a company of which Mr. K. Barge, the chairman, is a director, was involved in the following transactions with the company:

- (i) charge to the company for consultancy fees, £13,832 (1988 - £11,542).
- (ii) charge to the company for the use of a motor car by the chairman, £1,500 (1988 - £1,500).

(c) Employee costs during the year:

	1989 £	1988 £
Wages and salaries	6,714,917	5,682,981
Social security costs	576,017	597,698
Other pension costs	<u>308,729</u>	<u>196,451</u>
	<u>£7,599,663</u>	<u>£6,477,130</u>
	=====	=====

Remuneration of senior employees which fall within the following ranges:

	1989 Number	1988 Number
£30,001 - £35,000	19	9
£35,001 - £40,000	8	4
£40,001 - £45,000	4	1
£45,001 - £50,000	1	2
£50,001 - £55,000	2	1
£55,001 - £60,000	Nil	1
£60,001 - £65,000	1	1
£65,001 - £70,000	1	1
£70,001 - £75,000	=====	=====

COMPUTER SCIENCES COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ending 31 March 1989

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

(d) Average number of employees during the year:

	1989 Number	1988 Number
Managerial and professional	251	221
Clerical	<u>31</u>	<u>36</u>
	282	257
	===	===

4. INTEREST PAYABLE AND SIMILAR CHARGES

	1989 £	1988 £
Bank loans and overdraft repayable within five years	29,870	37,439
Finance charges - finance leases and hire purchase obligations	<u>4,359</u>	<u>4,453</u>
	£34,229	£ 41,892
	=====	=====

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is after charging/(crediting):

	1989 £	1988 £
Depreciation:	322,962	273,676
Own assets	10,356	10,356
Assets held under finance lease	19,000	15,000
Auditors' remuneration	558,626	445,340
Hire of plant and machinery	(4,240)	29,150
Foreign currency exchange (profit)/loss	1,669,000	959,000
Losses arising on fixed price contract	-	(1,740,000)
Contribution from fee in connection with an investment opportunity	=====	=====

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1989 £	1988 £
Corporation tax @ 35% (1988 @ 35%)	288,950	1,651,305
Prior year adjustment	<u>1,721</u>	<u>(12,752)</u>
	£290,671	£1,638,553
	=====	=====

COMPUTER SCIENCES COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ending 31 March 1989

7. DIVIDEND

	1989		1988	
	Per share £	Total £	Per share £	Total £
Interim paid	131.33	1,970,053	93.33	1,400,000
Proposed final	-	-	-	-
	<u>£131.33</u>	<u>£1,970,053</u>	<u>£93.33</u>	<u>£1,400,000</u>
	=====	=====	=====	=====

8. TANGIBLE FIXED ASSETS

	Furniture and fittings £	Leasehold improvements £	Computer and Communi- cations equipment £	Total £
Cost:				
At 2 April 1988	413,748	651,366	1,032,824	2,097,938
Additions during period	37,911	52,850	445,163	535,924
Disposals	(54,479)	(154,369)	(500,353)	(709,201)
At 31 March 1989	<u>£397,180</u>	<u>£549,847</u>	<u>£977,634</u>	<u>£1,924,661</u>
	=====	=====	=====	=====
Depreciation:				
At 2 April 1988	125,220	189,743	514,279	829,242
Charge for period	63,349	78,309	191,660	333,318
Eliminated on disposals	(39,259)	(106,695)	(369,591)	(515,545)
At 31 March 1989	<u>£149,310</u>	<u>£161,357</u>	<u>£336,348</u>	<u>£647,015</u>
	=====	=====	=====	=====
Net book value				
At 31 March 1989	<u>£247,870</u>	<u>£388,490</u>	<u>£641,286</u>	<u>£1,277,646</u>
	=====	=====	=====	=====
At 2 April 1988	<u>£238,528</u>	<u>£461,623</u>	<u>£518,545</u>	<u>£1,268,696</u>
	=====	=====	=====	=====

Included in furniture and fittings are assets with a net book value of £21,575 (1988 - £31,931) held under finance leases.

COMPUTER SCIENCES COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ending 31 March 1989

9. STOCKS	1989 £	1988 £
Work in progress:		
Costs incurred	348,493	215,166
less progress payments received and receivable	(98,817)	-
	£249,676 =====	£215,166 =====

The majority of the company's contracts are time and materials based and work in progress is billed monthly.

10. DEBTORS	1989 £	1988 £
(a) Trade debtors	2,912,144	2,148,460
Amounts owed by group companies	51,047	3,541,919
Other debtors	62,054	83,496
Prepayments - other	234,835	209,229
- relocation costs	-	41,003
	£3,260,080 =====	£6,024,107 =====

(b) Amounts falling due after more than one year Nil (1988 - £18,000).

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	1989 £	1988 £
Trade creditors	379,059	1,392,932
Amounts owed to group companies	109,014	119,518
Taxation and social security	891,039	2,626,145
Other creditors	10,357	174,006
Accruals and deferred income	2,691,893	2,055,639
	£4,081,362 =====	£6,368,240 =====

COMPUTER SCIENCES COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ending 31 March 1989

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	1989 £	1988 £
Lease obligation payable in instalments none of which fall due after five years	20,558	30,914
Less due within one year included in other creditors	(10,357)	(10,356)
	£10,201 =====	£ 20,558 =====

13. PROVISIONS FOR LIABILITIES AND CHARGES

	Balance at 2 April 1988	Utilised during the year	Charged to profit and loss account	Balance at 31 March 1989
(a) Deferred taxation	-	-	-	-
Other	666,912 =====	1,842,830 =====	1,669,000 =====	493,082 =====

Other provisions represent anticipated rectification costs on work done.

(b) The potential amounts of deferred taxation not provided are:	1989 £	1988 £
Accelerated capital allowances	90,646	87,259
Short term timing differences	-	968
Provision for anticipated losses	(165,550)	(233,419)
	£(74,904) =====	£(145,192) =====

14. CALLED UP SHARE CAPITAL

	1989	1988
Authorised: 25,000 shares of £100 each	£2,500,000 =====	£2,500,000 =====
Allotted, issued and fully paid: 15,000 shares of £100 each	£1,500,000 =====	£1,500,000 =====

COMPUTER SCIENCES COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ending 31 March 1989

15. OPERATING LEASE COMMITMENTS

At 31 March 1989 the company was committed to making the following payments during the next year in respect of operating leases:

	Buildings £	Motor vehicles £
Leases which expire:		
Within one year	-	455,016
Within 2 to 5 years	467,765	478,524
After 5 years	<u>217,900</u>	<u>-</u>
	£685,665	£933,540
	=====	=====

16. CAPITAL COMMITMENTS

	1989	1988
Contracted for but not provided in the financial statements	£ - =====	£ - =====
Authorised but not yet contracted for	£ - =====	£ - =====

17. PARENT AND ULTIMATE HOLDING COMPANY

The company is a wholly owned subsidiary of Computer Sciences Corporation, of Nevada, USA, which is the ultimate holding company.