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SEMA GROUP UK LIMITED
(formerly CAP UK Limited)

DIRECTORS' REPORT AND ACCOUNTS
EIGHT MONTHS ENDED 31ST DECEMBER 1988

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SEMA GROUP UK LIMITED
(Formerly CAP UK Limited)

DIRECTORS' REPORT

The directors present their report and accounts of the company for the eight month period to 31st December 1988.

Principal Activities and Business Review

Following the Extraordinary General Meeting of the Company held on 24th October 1988 the name of the company was changed to Sema Group UK Limited on 21st November 1988.

The principal activity of the company continues to be the provision of management services to United Kingdom based companies in Sema Group plc. These companies are engaged in the provision of custom built computer software systems, engineering consultancy, programming and software products.

Following the merger between the company's ultimate holding company, CAP Group plc, and Sema Metra S.A. on 1st June 1988 it was decided that the accounting reference date for the group of companies should be altered to 31st December. As a result these accounts are drawn for an eight month period to 31st December 1988. CAP Group plc changed its name to Sema Group plc with effect from 13th September 1988.

The company traded at a loss during the period. The directors believe that this is a short term aberration and that the company will return to its normal pattern of growth and profitability in the next year.

Results and Dividends

The results for the years are set out on page 2. The directors propose that no dividend be paid (1988: £277.78 per share)

Directors

Details of directors of the company and of changes during the period to 31st December 1988 are shown below:

A A Benjamin
P S E Bonelli
J A R Chisholm (Managing Director)
W H Fryer
K Gathergood
P P C Gregory
J M Ockenden

Messrs H Atkinson and L J Russell resigned as directors on 19th September 1988. Mr M J Smith resigned as a director on 29th December 1988. Messrs P S E Bonelli, A A Benjamin, J A R Chisholm, W H Fryer and K Gathergood were appointed as directors on 19th September 1988.

Subsequent to the end of the period under review, Mr A M Dorrian was appointed as a director on 20th January 1989 and J M Ockenden resigned as a director on 28th February 1989. Mr P S E Bonelli was appointed chairman on 20th January 1989.

SEMA GROUP UK LIMITED
(Formerly CAP UK Limited)

DIRECTORS' REPORT

Directors' Interests

The interests of the directors in the shares of Sema Group plc and its subsidiary companies are shown below:

	<u>Ordinary shares of 10p each</u>	
	<u>31st December</u>	<u>30th April</u>
	<u>1988</u>	<u>1988</u>
<i>Sema Group plc</i>		or dated of
		appointment
A A Benjamin	40,222	46,755
P S E Bonelli	207,000	228,000
J M Ockenden	168,348	168,126
J A R Chisholm	79,250	79,028
P P C Gregory	-	-
W H Fryer	4,459	4,237
K Gathergood	29,656	29,467
<i>CAP Microsoft Limited</i>	<u>Ordinary shares of £1 each</u>	
K Gathergood	36	36

No director held a beneficial interest in the shares of the company.

Contingent rights to the allotment of shares

The directors hold options to subscribe for Sema Group plc ordinary shares of 10p each as follows:

Executive share option scheme

	Exercisable Between 10/10/1991 and 09/10/1998 at £3.01p per share	Exercisable Between 21/09/1990 and 20/09/1997 at £2.79p per share	Exercisable Between 22/09/1990 and 21/09/1997 at £2.79p per share	Exercisable Between 27/09/1988 and 26/09/1995 at £1.75p per share
A A Benjamin	30,000	-	42,800	-
J A R Chisholm	36,000	27,050	22,000	11,000
W H Fryer	12,000	36,750	31,800	-
K Gathergood	35,000	-	-	11,000
P P C Gregory	13,600	34,650	38,700	-
J M Ockenden	-	-	32,250	-
P S E Bonelli	-	-	-	-

	Exercisable Between 31/10/1989 and 30/10/1996 at £3.01p per share	Exercisable Between 15/04/1988 and 14/04/1995 at £1.20p per share
A A Benjamin	22,000	-
J A R Chisholm	22,000	29,000
W H Fryer	22,000	-
K Gathergood	18,000	14,000
P P C Gregory	22,000	-
J M Ockenden	22,000	-
P S E Bonelli	60,000	-

SEMA GROUP UK LIMITED
(Formerly CAP UK Limited)
DIRECTORS' REPORT

Directors' Interests (continued)

Savings related share option scheme

	Exercisable Between 3/10/1988 and 2/4/1989 at £0.43225 per share	Exercisable Between 3/1/1989 and 2/7/1989 at £0.5404 per share	Exercisable Between 26/4/1990 and 25/10/1990 at £1.20p per share	Exercisable Between 26/04/1992 and 25/10/1992 at £1.20p per share
J A R Chisholm	-	-	-	3666
J M Ockenden	-	-	-	-
W H Fryer	-	-	-	-
K Gathergood	1388	3148	1048	-

	Exercisable Between 25/09/1991 and 24/03/1992 at £2.00 per share	Exercisable Between 28/10/1992 and 27/04/1993 at £2.79 per share
J A R Chisholm	-	1290
J M Ockenden	1850	-
W H Fryer	1850	1290
K Gathergood	-	-

P S E Bonelli held an option at 31 December 1988 and at the date of his appointment to subscribe for 9,000 ordinary shares of Sema Group SA at a price of FF450 per share. Two thirds of the option may be exercised between 31 December 1989 and 15 December 1992 and the remainder between 31 December 1990 and 15 December 1992. Shares of Sema Group SA arising from the exercise of option are convertible into shares of Sema Group plc at the rate of 24 shares in Sema Group plc for one share in Sema Group SA.

Fixed Assets

The change in fixed assets are shown at Note 5 to the accounts.

Employees

Employee involvement

The company organises staff communication both centrally and locally. The media used for centrally organised communication include a group house magazine, technical newsletter, information circulars, copies of press releases and an annual report to employees based on the holding company's audited accounts. At local level regular staff meetings, which are attended by directors, are held and all branches publish notices containing important information about matters of interest. The staff are represented on the Board of Trustees of both the Sema Group Pension Fund and the Sema Personal Pension Plan.

Disabled

The policy of the company is to offer the same opportunity to disabled people as to all others in respect of recruitment and career advancement provided their disability does not prevent them from carrying out their required duties. Employees who become disabled will, wherever possible, be retained, rehabilitated and retrained.

Pension Schemes

Employees of the company are offered a choice of membership of either the Sema Group Pension Scheme, which is a money purchase scheme with final salary underpinning or the Sema Personal Pension Plan which is a money purchase scheme. Both schemes are contracted out of the State Earnings Related Pension Scheme.

Auditors

In accordance with section 384 of the Companies Act 1985 a resolution proposing the appointment of Price Waterhouse as auditors to the company will be put to the Annual General Meeting.

By order of the board

A R W Carrington

Secretary

7th April 1989

Registered Office:
22 Long Acre
London WC2E 9LY

REPORT OF THE AUDITORS OF THE MEMBERS OF
SEMA GROUP UK LIMITED
(Formerly CAP UK Limited)

We have audited the accounts set out on pages 6 to 16 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31st December 1988 and of its results and source and application of funds for the eight months then ended and have been properly prepared in accordance with the requirements of the Companies Act 1985.

PEAT MARWICK McLINTOCK

Pear Marwick McLintock

Chartered Accountants

7th April 1989

SEMA GROUP UK LIMITED
(Formerly CAP UK Limited)

PROFIT AND LOSS ACCOUNT
FOR THE EIGHT MONTHS ENDED 31ST DECEMBER 1988

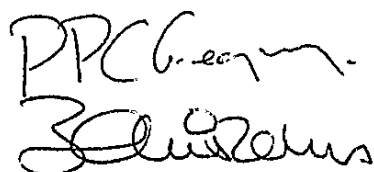
	<u>Note</u>	8 months ended <u>31/12/88</u> £000	Year ended <u>30/04/88</u> £000
Turnover	2	5,189	7,884
Operating Costs			
Staff costs	3	1,867	2,242
Depreciation of tangible fixed assets	5	288	292
Hire of plant and machinery		68	115
Auditors' remuneration		32	20
Rent of land and buildings		712	716
Other operating charges		3,170	2,710
		<u>6,137</u>	<u>6,095</u>
Operating (Loss) / Profit		<u>(948)</u>	<u>1,789</u>
Other Income		463	281
(Loss) / Profit on Ordinary Activities Before Taxation		<u>(485)</u>	<u>2,070</u>
Taxation on profit on ordinary activities	4	109	(791)
(Loss) / Profit on Ordinary Activities After Taxation		<u>(376)</u>	<u>1,279</u>
Dividends paid		-	(1,250)
Retained (Loss) / Profit for the Year Transferred to Reserves		<u>(376)</u>	<u>29</u>

The notes on pages 9 to 16 form part of these accounts.

SEMA GROUP UK LIMITED
(Formerly CAP UK Limited)

BALANCE SHEET AT 31ST DECEMBER 1988

	Note	<u>31/12/88</u>		<u>30/04/88</u>	
		£000	£000	£000	£000
Fixed Assets					
Tangible assets	5		1,366		939
Investments	6		16		16
			<u>1,382</u>		<u>955</u>
Current Assets					
Debtors	7	16,955		8,248	
Cash at bank and in hand		13		110	
		<u>16,968</u>		<u>8,358</u>	
Creditors: Amounts Falling Due Within One Year	8	(18,414)		(8,975)	
Net Current (Liabilities)			(1,446)		(617)
Total Assets Less Current Liabilities			<u>(64)</u>		<u>338</u>
Creditors: Amounts Falling Due After More Than One Year	9		-		(10)
Provision for Liabilities and Charges					
Deferred taxation	10		(109)		(123)
Net Assets			<u>(173)</u>		<u>205</u>
Capital and Reserves					
Called up share capital	11		5		5
Profit and Loss account	12		(178)		200
Shareholders' Funds			<u>(173)</u>		<u>205</u>


 } Directors

Approved by the directors on 7th April 1989

The notes on pages 9 to 16 form part of these accounts.

SEMA GROUP UK LIMITED
(Formerly CAP UK Limited)

**STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE EIGHT MONTHS ENDED 31ST DECEMBER 1988**

	31/12/88 £000	30/04/88 £000
Source of Funds		
(Loss) / Profit on ordinary activities before taxation	(485)	2,070
Depreciation	288	292
Funds Applied To / Generated From Operations	<u>(197)</u>	<u>2,362</u>
Sales of tangible fixed assets	-	1
Increase in net amount due to subsidiaries	2,717	-
Total Funds Generated	<u>2,520</u>	<u>2,363</u>
Application of Funds		
Purchase of tangible fixed assets	715	343
Loans repaid	56	78
Tax Paid	383	65
Dividends	-	1,250
Increase in net amount due from group companies	8,400	253
Decrease in net amount due to group companies	-	814
	<u>(9,554)</u>	<u>(2,803)</u>
Net Source/(Application) of Funds	<u><u>(7,034)</u></u>	<u><u>(440)</u></u>
Increase / (Decrease) In Working Capital		
Debtors (excluding amounts owed by subsidiaries and other group companies)	307	627
Creditors due within one year (excluding amounts owed to group companies, corporation tax and hire purchase loans)	(490)	(1,161)
	<u>(183)</u>	<u>(534)</u>
Increase / (Decrease) in Net Liquid Funds	<u><u>(6,851)</u></u>	<u><u>94</u></u>
	<u><u>(7,034)</u></u>	<u><u>(440)</u></u>

SEMA GROUP UK LIMITED
(Formerly CAP UK Limited)

NOTES TO THE ACCOUNTS

1. Accounting Policies

The following is a summary of the main accounting policies adopted by the company.

(a) Basis of preparation

The accounts are prepared on the historical cost basis.

Consolidation accounts of the company and its subsidiaries have not been prepared as the company is a wholly owned subsidiary of Semma Group plc.

(b) Turnover

Turnover consists of fees chargeable to customers and group companies for services provided and is exclusive of value added tax and other sales taxes.

(c) Depreciation

Depreciation is provided to write off the cost of tangible fixed assets, using the straight line method, over their estimated useful lives at the following annual rates:

Computer equipment	- 33.3%
Office furniture and equipment	- between 15% and 20%

(d) Deferred Taxation

Deferred taxation is provided in respect of timing differences between the recognition of income and expenditure for accounting and tax purposes, except where it is anticipated that tax will not become payable.

(e) Pension contributions

Pension contributions made by the company are charged against the income of the period in which they accrue.

(f) Leases

The cost of assets held under finance leases is included under tangible assets and depreciation is provided in accordance with the group's accounting policy for the class of asset concerned. The interest cost is charged evenly over the term of the lease and the capital element of future lease payments is included in creditors. The cost of operating leases is charged as incurred.

SEMA GROUP UK LIMITED
(Formerly CAP UK Limited)

NOTES TO THE ACCOUNTS

2. Turnover

Turnover is derived from the following countries:

	8 months ended 31/12/88 £000	Year ended 30/04/88 £000
United Kingdom	5,162	7,862
The Netherlands	15	22
Belgium	12	-
	<u>5,189</u>	<u>7,884</u>

3. Staff Costs

	8 months ended 31/12/88 £000	Year ended 30/04/88 £000
All staff (including directors):		
Salaries	27,777	32,488
Social security costs	2,212	2,554
Other pension costs	2,003	2,085
	<u>31,992</u>	<u>37,127</u>
Less:		
Recharged to subsidiaries	(28,879)	(33,637)
Recharged to related companies	(1,246)	(1,248)
	<u>1,867</u>	<u>2,242</u>

The company acts as the administration and management company to the operations of the Sema Group within the United Kingdom. Staff employed by the company are, when appropriate, seconded to individual operating subsidiaries at a rate equal to full salary cost plus social security and other pension costs.

	8 months ended 31/12/88	Year ended 30/04/88
The average number of employees during the period was	3,223	2,946
The average number of employees seconded to subsidiaries and related companies was	3,133	2,874
	<u>-----</u>	<u>-----</u>
The average number of employees relating to these accounts was	<u>90</u>	<u>72</u>

SEMA GROUP UK LIMITED
(Formerly CAP UK Limited)

NOTES TO THE ACCOUNTS

3. Staff Costs (continued)

	8 months ended 31/12/88 £000	Year ended 30/04/88 £000
<i>Directors' remuneration</i>		
Fees	-	-
Other emoluments including pension contributions	371	379
Compensation for loss of office	278	-
	<u>649</u>	<u>379</u>

The chairman, who was also the highest paid director, received emoluments, excluding pension contributions, of £71,021 for the period (30.4.88: £83,573).

The other directors received remuneration, excluding pension contributions, in the following bands:

	8 months ended 31/12/88	Year ended 30/04/88
£15,001-£20,000	1	-
£20,001-£25,000	5	1
£45,001-£50,000	-	-
£50,001-£55,000	2	-
£55,001-£60,000	-	1
£60,001-£65,000	-	1
£65,001-£70,000	-	1
£80,001-£85,000	-	1

Higher paid employees

The number of employees, other than those working wholly or mainly outside the United Kingdom, who received remuneration in excess of £30,000 was as follows:

	8 months ended 31/12/88	Year ended 30/04/88
£30,001-£35,000	12	24
£35,001-£40,000	5	13
£40,001-£45,000	1	11
£45,001-£50,000	-	6
£50,001-£55,000	-	3
£55,001-£60,000	-	4
£60,001-£65,000	-	4
£65,001-£70,000	-	2
£80,001-£85,000	-	-
£95,001-£100,000	-	1
£100,001-£105,000	-	-
£145,001-£150,000	-	1

Pension Commitments

The company operates contributory pension schemes for eligible employees including directors. The schemes are contracted out of the State Earnings Related Pension Scheme.

The last actuarial valuation was undertaken as at 1st May 1988 and confirmed that under both the executive and staff pension schemes past service benefits are fully funded on the basis of pensionable salaries as at 1st May 1988.

All entitlements to preserved benefits and pensions in the course of payment have been funded.

4. Taxation on Profit on Ordinary Activities

The (credit) / charge for the year is made up as follows:

	8 months ended 31/12/88 £000	Year ended 30/04/88 £000
On profit for the period:		
UK corporation tax at 35%	(95)	985
Deferred tax at 35%	(14)	(40)
Group Relief	-	(154)
	<u>(109)</u>	<u>791</u>

SEMA GROUP UK LIMITED
(Formerly CAP UK Limited)

NOTES TO THE ACCOUNTS

5. Tangible Assets

	Computer equipment £000	Office equipment £000	Furniture Fixtures and fittings £000	Total £000
Cost:				
At 1st May 1988	488	677	931	2,096
Additions	105	166	444	715
At 31st December 1988	<u>593</u>	<u>843</u>	<u>1,375</u>	<u>2,811</u>
Depreciation:				
At 1st May 1988	331	346	480	1,157
Charge for year	89	78	121	288
At 31st December 1988	<u>420</u>	<u>424</u>	<u>601</u>	<u>1,445</u>
Net Book Value:				
At 31st December 1988	<u>173</u>	<u>419</u>	<u>774</u>	<u>1,366</u>
At 30th April 1988	<u>157</u>	<u>331</u>	<u>451</u>	<u>939</u>

The company had capital expenditure authorised at 31.12.88 of £Nil (30/04/88 of £30,000)

6. Investments (Unlisted)

£000

Shares in subsidiaries at cost:

At 31st December 1988 and 30th April 1988

16

<i>Direct Subsidiaries</i>	<u>Proportion held</u>	<u>Country of Registration and operation</u>
CAP Group Limited	100%	England
Computer Analysts and Programmers (Scotland) Limited	100%	Scotland
Computer Analysts and Programmers (Ireland) Limited	100%	Eire
CAP Microsoft Limited	75%	England
<i>Indirect Subsidiaries</i>		
CAP-CPP Microproducts Limited	75%	England
CAP (Northern) Limited	100%	England
CORDA Limited	100%	England

SEMA GROUP UK LIMITED
(Formerly CAP UK Limited)

NOTES TO THE ACCOUNTS

7. Debtors

	31/12/88 £000	30/04/88 £000
Trade debtors	78	35
Amounts owed by subsidiaries	2	2
Amounts owed by other group companies	15,392	6,992
Amounts owed by related companies	416	358
Value added tax	162	42
Other debtors	466	411
Prepayment and accrued income	439	408
	<u>16,955</u>	<u>8,248</u>

8. Creditors: Amount Falling Due Within One Year

	31/12/88 £000	30/04/88 £000
Bank Overdrafts	6,754	-
Amounts owed to group companies	8,134	5,417
Corporation Tax	418	894
Other Taxation and social security payable	1,232	1,114
Hire purchase loans	-	46
Other creditors	1,325	750
Accruals	551	754
	<u>18,414</u>	<u>8,975</u>

SEMA GROUP UK LIMITED
(Formerly CAP UK Limited)

NOTES TO THE ACCOUNTS

9. Creditors: Amounts Falling Due After More Than One Year

	31/12/88 £000	30/04/88 £000
Loans to subsidiaries	-	10
	<u> </u>	<u> </u>

10. Deferred Taxation

	31/12/88 £000	30/04/88 £000
Amounts provided and total potential liability:		
In respect of accelerated capital allowances	109	123
	<u> </u>	<u> </u>

11. Share Capital

	31/12/88 £000	30/04/88 £000
Authorised, issued and fully paid: 4,500 ordinary shares of £1 each	5	5
	<u> </u>	<u> </u>

12. Profit and Loss Account

	£000
At 1st May 1988	200
Retained (Loss) for year	(376)
Prior year adjustment (Rounding difference)	(2)
At 31st December 1988	<u>(178)</u>

SEMA GROUP UK LIMITED
(Formerly CAP UK Limited)

NOTES TO THE ACCOUNTS

13. Ultimate Holding Company

The ultimate holding company is Sema Group plc which is incorporated in England.

14. Guarantees and other Financial Commitments

- (a) The company had commitments under operating leases to pay the following amounts during the ensuing year:

	31/12/88 £000	30/04/88 £000
In respect of plant and machinery: Commitments expiring - after 1 year	109	115
In respect of land and buildings: Commitments expiring - after 5 years	1,113	1,113
	<u>1,222</u>	<u>1,228</u>

- (b) The company, together with its parent company and certain other United Kingdom subsidiaries, have given guarantees and floating charges to their bankers for overdraft and loan facilities. The indebtedness at 31 December 1988 was £1,716,000 (30.4.88: £Nil).