

Sema UK Limited

(Registered Number: 1245534)

Directors' Report And Financial Statements

Year Ended 31 December 2002



Sema UK Limited

Report of the Directors For the Year Ended 31 December 2002

The directors present their annual report and the audited financial statements of Sema UK Limited, ("the Company") for the year ended 31 December 2002.

Principal Activities and Review of the Business and Future Developments

The principal activities of the Company during the year have been the provision of information technology, consultancy services and the provision of computer facilities management services.

Revenue increased by 4% from £510 million in 2001 to £528 million in 2002. The main growth area was the Public Sector division, which contributed over 60% of the year's activity. The operating loss for the period was £18 million (2001: £138 million), after making an exceptional write down of investment in non-trading subsidiary undertakings of £43 million (2001: exceptional operating items £96 million).

Highlights of the year were winning the Vehicle Inspectorate outsourcing and business solutions contract, which, over 9 years will provide IT desktop services to over 67 sites together with the provision of video conferencing and roadside hand held devices to improve the efficiency of their operations. A further contract was won with the Department of Works and Pensions which will help to reduce costs associated with the processing of Giro payments and involves creating and managing contact centre to change the payment method of recipients to automatic bank transfers. The Transport division won over £110 million of business with further managed service contracts to provide revenue settlement for the train operating companies.

The Company participated in a number of restructuring initiatives within the Schlumberger plc group to dispose of non-UK based operating subsidiaries, generating a net £17 million gain in disposal to other Schlumberger companies. Further, a number of subsidiary undertakings were placed into liquidation during the period generating a loss on disposal of £7 million.

The directors believe the Company will continue its principal activities of information technology and consultancy services in the forthcoming year.

Results and Dividends

The results of the Company are shown on page 5.

The results show an operating loss for the financial year of £18,065,000 (2001: operating loss of £138,108,000).

The directors do not recommend the payment of a dividend (2001: £Nil). Transfers to reserves are disclosed in Note 17 to the financial statements.

Going Concern

The directors have received written confirmation from the parent undertaking Schlumberger plc, that it intends to provide such financial support to the Company as is necessary, for the foreseeable future and at least for the next 12 months to enable it to continue in operation without any significant curtailment and to meet its liabilities as they fall due. Accordingly they consider it appropriate to prepare these financial statements on a going concern basis.

Subsequent Events

On 14 July 2003, the Company sold its investment in Data Marine Systems Limited to group undertaking, Schlumberger NIS Limited, at book value with nil impact in the profit and loss account.

On 15 August 2003, the Company acquired Schlumberger plc's 73.81% shareholding in group undertaking, Sema International Limited, a UK registered holding company for consideration of £523 million. Effective the same day, Schlumberger plc sold its 100% shareholding in the Company to group undertaking, Sema Limited, a UK registered holding company, therefore the immediate parent undertaking of the Company is now Sema Limited.

Sema UK Limited

Report of the Directors For the Year Ended 31 December 2002 (continued)

Directors

The names of the present directors of the Company and details of changes during the year are as follows:

D Baillie	(Resigned 17 December 2002)
P S E Bonelli	(Resigned 12 July 2002)
B Connolly	(Appointed 17 December 2002)
A Goldby	
F S Jones	
N Ray	

Directors' Interests

No director had an interest in the shares of the Company or any other group company which requires notification to the Company under Section 324 of the Companies Act 1985 (2001: Nil).

Research and Development

The Company undertakes a number of research and development (R&D) projects which are mainly devoted to application packages, methods and tools, particularly in the telecoms, banking and transport fields. The total expenditure on R&D in the year was £8,377,000 (2001: £14,953,000).

Environment Report

As an information technology service provider, the Company's operations in themselves have minimal direct impact on the environment. However, the Board recognises that even office-based working structures can have a negative impact on the environment and have adopted an environmental policy which has the following main features:

- To meet the statutory requirements which are placed on the Company in its various countries of operation;
- To recycle as much of the Company's waste products as is economically possible, recognising that office based environments produce quantities of waste paper;
- To dispose of any hazardous resources employed by the Company in an environmentally friendly manner;
- To apply good environmental practice in outsourcing and managed services businesses both to the level and beyond that required by contractual obligations;
- To encourage staff to adopt environmentally friendly practices in their employment with the Company.

Policy for quality, health, safety and environment

It is the Schlumberger Limited Group ("the Group") policy to ensure that quality, health, safety and environmental considerations are top priority for management and employees. Prevention of accidental risk and loss from process failure is an integral part of the Group's continuous improvement culture.

Disabled Employees

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.

Payments to Suppliers

The Company agrees terms and conditions for its business transactions with suppliers. Payment is made on these terms providing the supplier meets its obligations. The Company had 20 days purchases outstanding as at 31 December 2002 (2001: 22 days) based on the average daily amount invoiced by suppliers during the year.

Sema UK Limited

Report of the Directors For the Year Ended 31 December 2002 (continued)

Political and Charitable Contributions

During the year the Company made no political contributions. Various charitable contributions totalled £24,039 (2001: £1,975).

Pension Schemes

Employees of the Company were offered membership of the Sema Group Pension Scheme, a defined benefit scheme, until June 2001 when this scheme was closed to new members. All new employees are offered membership of the Schlumberger UK "Orange" Pension Scheme which is a defined contribution scheme.

Certain staff who transfer from UK Government and Local Government employment under outsourcing agreements are also offered membership of the Sema Group CS Pension scheme which is also a defined benefit scheme, designed to maintain the pension benefits of these staff.

Former staff of BR Business Systems Ltd who transferred to the employment of the Company on 31 December 1998 are entitled to membership of the Sema UK Ltd shared cost section of the Railway Pension Scheme, a defined benefit scheme. All schemes are contracted out of the State Earnings Related Pension Scheme.

Employee Involvement

Employees are regularly provided with information on matters of concern to them as employees.

They are further encouraged to be involved in the Group's performance by being eligible to purchase stock of the ultimate parent company, Schlumberger Limited, at a discounted rate through an annual savings scheme.

The Company also lays stress on achieving a common awareness of all employees in relation to the financial and economic factors that affect the performance of the Group.

Statement of Directors' Responsibilities

The directors are responsible for preparing the annual report including, as described below, the financial statements.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period. 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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

Sema UK Limited

Report of the Directors For the Year Ended 31 December 2002 (continued)

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 27 March 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors of the Company will be proposed at the Annual General Meeting.

By order of the Board



Neil Ray
Company Secretary
16 September 2003

Independent Auditors' Report To The Members Of Sema UK Limited

We have audited the financial statements which comprise the profit and loss account, the statement of recognised gains and losses, the balance sheet and the related notes which have been prepared under the historical cost convention and the accounting policies on pages 9 to 11.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
West London Office

16 September 2003

Sema UK Limited

Profit And Loss Account For The Year Ended 31 December 2002

	Notes	2002 £000	2001 £000
Turnover			
Continuing operations	2	527,876	509,725
<i>Operating costs (including exceptional costs £43,070,000, 2001: £95,902,000)</i>	5	<u>(545,941)</u>	<u>(647,833)</u>
Operating loss			
Continuing operations		(18,065)	(138,108)
Loss on liquidation of fixed asset investments	10	(6,500)	-
Profit on disposal of fixed asset investments	10	<u>16,915</u>	<u>-</u>
Loss before interest and taxation	5	(7,650)	(138,108)
Interest receivable	3	457	3,191
Interest payable	4	<u>(788)</u>	<u>(815)</u>
Loss on ordinary activities before taxation		(7,981)	(135,732)
Tax (charge)/credit on ordinary activities	7	<u>(5,925)</u>	<u>28,913</u>
Loss on ordinary activities after taxation and transferred to reserves	17/18	<u>(13,906)</u>	<u>(106,819)</u>

There is no difference between the loss on ordinary activities before taxation and the retained loss for the financial year stated above and their historical cost equivalents.

All results are derived entirely from continuing operations.

The notes on pages 9 to 25 form part of these financial statements.

Sema UK Limited

Statement of Total Recognised Gains and Losses For The Year Ended 31 December 2002

	2002 £000	2001 £000
Loss for the financial year	(13,906)	(106,819)
Currency translation differences on loans to group companies (Note 17)	-	(2)
Tax effect of currency translation differences (Note 17)	-	-
Total recognised losses	<u>(13,906)</u>	<u>(106,821)</u>

The currency translation differences in 2001 relate to a long term loan to an overseas fellow group company to finance foreign equity investments. Consequently, these gains and losses are considered to be part of a global group financing strategy and not reflective of the activities of the Company. The cumulative effect of these net currency translation losses amounted to £14,302,000 at 31 December 2001. This long term loan was settled in January 2002, hence there are no currency translation differences on similar transactions in 2002.

The notes on pages 9 to 25 form part of these financial statements.

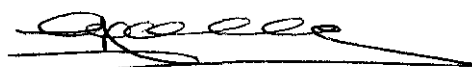
Sema UK Limited

Balance Sheet As At 31 December 2002

	Notes	2002 £000	2001 £000 * restated
Fixed assets			
Intangible Assets	8	8,183	8,615
Tangible Assets	9	28,169	21,363
Investments	10	824,129	37,461
		<u>860,481</u>	<u>67,439</u>
Current assets			
Debtors:			
Due within one year	11	439,355	196,196
Due after one year	11	26,780	84,233
Cash at bank and in hand		-	34,625
		<u>466,135</u>	<u>315,054</u>
Creditors: amounts falling due within one year	12	<u>(168,817)</u>	<u>(169,985)</u>
Net current assets		<u>297,318</u>	<u>145,069</u>
Total assets less current liabilities		<u>1,157,799</u>	<u>212,508</u>
Creditors: amounts falling due after more than one year	13	(1,217,647)	(260,201)
Provisions for liabilities and charges	15	(28,420)	(26,669)
Net liabilities		<u>(88,268)</u>	<u>(74,362)</u>
Capital and reserves			
Called up share capital	16	12,750	12,750
Profit and loss account	17	(101,018)	(87,112)
Equity shareholders' deficit	18	<u>(88,268)</u>	<u>(74,362)</u>

* The prior year balance sheet has been restated to reflect a number of reclassifications across the following categories: Intangible fixed assets, tangible fixed assets and creditors: amounts falling due within one year. These reclassifications had a nil impact on the results for the year ended 31 December 2001. Refer Note 9 for further details.

Approved by the board of directors and signed on its behalf by:



Alan Goldby
Director

16 September 2003

The notes on pages 9 to 25 form part of these financial statements.

Sema UK Limited

Notes to the Financial Statements At 31 December 2002

1 Accounting Policies

The following is a summary of the main accounting policies adopted by the Company:

a) *Basis of preparation*

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards. The Company is exempt from preparing and delivering group financial statements under section 228 of the Companies Act 1985.

The directors have received written confirmation from Schlumberger plc (the immediate parent undertaking as at 31 December 2002), that it intends to provide such financial support to the Company as is necessary, for the foreseeable future and at least for the next 12 months to enable it to continue in operation without any significant curtailment and to meet its liabilities as they fall due. Accordingly they consider it appropriate to prepare these financial statements on a going concern basis.

c) *Turnover*

Turnover consists of amounts chargeable to customers and other group undertakings for services provided and is exclusive of Value Added Tax and other sales taxes.

Systems integration turnover is recognised on a percentage of completion basis for fixed price contracts and as the services are delivered for time and materials contracts. All turnover is recorded on a gross basis. Losses on fixed price contracts are recognised in the first period as they are incurred or foreseen.

Outsourcing turnover is recognised as services are delivered.

The Company's product turnover is derived from the sales of licences for its software, maintenance and related services, which include installation, consulting and training services. If services are essential to the functionality of the software, turnover derived from the contract is recognised based on the percentage of completion basis.

Turnover from annual maintenance and support is deferred and recognised rateable over the term of the contract. Turnover from consulting and training are deferred and recognised when the services are performed and collectibility is deemed probable.

Payments received in advance of turnover recognition are recorded as deferred revenue. Amounts recognised as turnover but not billed to customers are recorded as "Amounts recoverable on contracts".

d) *Intangible fixed assets*

Purchased software licences for provision of customer services are capitalised at cost. Software licence costs are amortised over the period of the licence or the term of the sales contract, whichever is shorter. Amortisation is charged from the commencement of the licence's deployment.

Goodwill, representing the excess of the purchase consideration over the fair value of the net separable assets acquired, is capitalised and amortised through the profit and loss account over 20 years which is the period over which the directors estimate that the value of the underlying businesses are expected to exceed the value of underlying assets.

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Notes to the Financial Statements At 31 December 2002 (continued)

e) *Tangible fixed assets*

Depreciation is provided to write off the cost of tangible fixed assets, using the straight line method at the following rates per annum:

Leasehold improvements:	over the period of the lease
Computer equipment:	33.3%
Office furniture, cars and equipment:	between 15% and 33.3%

f) *Impairment review*

The carrying values of tangible and intangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. Any impairment in the value of fixed assets below depreciated historical cost is charged to the profit and loss account.

g) *Taxation including deferred taxation*

Corporation tax payable is provided on taxable profits at the current rate.

The Company implemented FRS 19 'Deferred tax' during the year ended 31 December 2001.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet dates where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted. Deferred tax is measured on a non-discounted basis.

h) *Investments*

Investments are stated at cost less provision for any impairment in value. A review for impairment is carried out if events or changes in circumstances indicate that the carrying amount may not be recoverable, in which case an impairment provision is recorded.

i) *Foreign currencies*

Assets and liabilities denominated in foreign currencies are translated into sterling at the rate ruling at the balance sheet date. Transactions are recorded at the rate prevailing at the date of the transaction. Exchange differences arising are dealt with through the profit and loss account, except where they relate to the foreign equity investments where gains and losses are taken directly to reserves together with their related tax effect.

j) *Pension contributions*

The Company is a participating member of various pension schemes (refer Note 6). These schemes are run on a basis that does not enable individual companies within the group to identify their share of the underlying net assets and liabilities. As permitted by FRS 17, the Company accounts for the scheme as a defined contribution scheme.

The charge against profits is the amount of defined contributions payable to the pension scheme in respect of the accounting period.

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Notes to the Financial Statements At 31 December 2002 (continued)

k) Leases

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

j) Cash flow statement

The Group has taken advantage of the exemptions available to wholly owned UK subsidiaries under Financial Reporting Standard No. 1 (Revised 1996) "Cash Flow Statements" and accordingly has not prepared a cash flow statement.

k) Research and development

Expenditure on research and development is charged against the income of the period in which it is incurred, except to the extent that such expenditure is recoverable from third parties.

l) Related party disclosures

Transactions with other companies within the Group are not disclosed as the Company has taken advantage of the exemption available under Financial Reporting Standard 8 (FRS 8) "Related Party Disclosures" paragraph 3(c).

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Notes to the Financial Statements At 31 December 2002 (continued)

2 Turnover

Turnover is derived by destination from the following geographical regions:

	2002 £000	2001 £000
United Kingdom	461,521	442,691
Rest of Europe	61,402	53,934
Asia	2,514	10,021
The Americas	1,391	2,986
Rest of the world	1,048	93
	<u>527,876</u>	<u>509,725</u>

Turnover is derived by class of business as follows:

	2002 £000	2001 £000
Outsourcing	299,956	239,180
Systems Integration	166,124	198,026
Products	61,796	72,519
	<u>527,876</u>	<u>509,725</u>

3 Interest Receivable

	2002 £000	2001 £000
Interest on bank balances and short term investments	264	842
Interest receivable on intragroup loan	193	2,349
	<u>457</u>	<u>3,191</u>

4 Interest Payable

	2002 £000	2001 £000
Interest on bank overdrafts and loans repayable within 5 years	106	518
Finance lease charges	110	192
Interest payable on intragroup loan	572	105
	<u>788</u>	<u>815</u>

Sema UK Limited

Notes to the Financial Statements At 31 December 2002 (continued)

5 Loss Before Taxation

	2002 £000	2001 £000
Loss before taxation is stated after charging the following:		
Staff costs (Note 6)	205,670	211,341
Research and development	8,377	14,953
Amounts written off investments (Note 10)	43,070	31,958
Other exceptional operating costs (see below)	-	63,944
Exceptional (gain)/loss on disposal of subsidiary undertakings (Note 10):		
Gain on disposal of Sema SpA Italy	(210)	-
Loss on disposal of LHS AG (Switzerland)	3,878	-
Gain on disposal of Sema Hong Kong	(20,583)	-
	(16,915)	-
Exceptional loss on liquidation of subsidiary undertakings (Note 10)	6,500	-
Amortisation of intangible fixed assets (Note 8)	4,902	6,965
Depreciation of tangible fixed assets (Note 9)	13,025	13,834
Auditors' remuneration – audit services	243	338
Auditors' remuneration – non audit services	117	31
Operating leases:		
- land and buildings and other assets	12,340	14,147
- plant and machinery	5,217	6,779

Analysis of Operating Costs

	2002 £000	2001 £000
Operating costs	502,871	551,931
Exceptional operating costs (see below)	43,070	95,902
	<u>545,941</u>	<u>647,833</u>

Exceptional Operating Costs

	2002 £000	2001 £000
Redundancy/restructuring costs	-	19,689
Amounts written off investments (Note 10)	43,070	31,958
Impairment of tangible and intangible fixed assets	-	18,346
Legal and professional costs associated with the Sema group acquisition by Schlumberger	-	25,909
	<u>43,070</u>	<u>95,902</u>

The results for the year include exceptional write downs of £43,070,000 (2001: £31,958,000) in the value of the Company's investments in non-trading and dormant subsidiary undertakings (£41,399,000, 2001: £20,432,000) and trade investments (£1,671,000, 2001: £9,739,000) to reflect their net book value as at 31 December.

Sema UK Limited

Notes to the Financial Statements At 31 December 2002 (continued)

6 Staff Costs and Directors' Emoluments

The aggregate payroll costs during the year were as follows:

	2002 £000	2001 £000
Staff (including directors):		
Wages and salaries	176,091	181,057
Social security costs	14,357	15,411
Pension costs	15,222	14,873
	<u>205,670</u>	<u>211,341</u>

	2002 Number	2001 Number
The average number of employees during the year was:	<u>4,908</u>	<u>5,082</u>

Of the six directors in office during the period, two (2001: four) were remunerated by the Company in their capacity as directors. The total emoluments of those two directors, excluding pension contributions, amounted to £568,000 (2001: £658,000). The emoluments of the highest paid director, excluding pension contributions, amounted to £366,640 (2001: £372,320).

Of the two directors remunerated by the Company in 2002, one is a member of the Schlumberger UK Pension scheme, which includes a defined benefit and a defined contribution scheme. Total contributions to the defined contribution portion of the scheme amounted to £10,913. This director also has amounts accruing under the defined benefit portion of the scheme.

Directors' interest in contracts

No director had any material interest in any contract of significance to the business of the Company or Group during or at the end of the year to 31 December 2002.

Pension arrangements

The Company is a participating member of the Sema Group Pension Scheme and the Sema Group CS Pension Scheme, both being defined benefit pension schemes which provide pensions and other related benefits for those employees of Sema plc's UK subsidiaries who elect to become members. Staff from the former BR Business Systems Ltd, who transferred on 31 December 1998 are entitled to be members of the Sema UK Ltd shared cost section of the Railways Pension Scheme, a defined benefit pension scheme.

The Company is also a participating member of the Schlumberger UK Pension Scheme with both defined benefit (Blue) and defined contribution (Orange) sections.

These three schemes are run on a basis that does not enable individual companies within the group to identify their share of the underlying net assets and liabilities. As permitted by FRS 17, the Company accounts for the scheme as a defined contribution scheme. The financial effects of the Sema Group Pension Scheme, Sema Group CS Pension Scheme and Sema UK Ltd shared cost section of the Railways Pension Scheme, are disclosed in the consolidated financial statements of Schlumberger plc.

The Sema Group Pension Scheme was closed to new members in June 2001. All new employees are offered membership of the Schlumberger UK "Orange" defined contribution pension scheme.

In these financial statements the charge in the profit and loss account for the year was £15,222,000 (2001: £14,873,000).

Sema UK Limited

Notes to the Financial Statements At 31 December 2002 (continued)

7 Taxation

The taxation charge/(credit) based on the loss for the year adjusted for taxation purposes may be analysed as follows:

	2002 £000	2001 £000
Current Year		
<i>On ordinary activities</i>		
United Kingdom tax at 30% (2001: 30%):	4,801	(3,313)
Prior year adjustment	(855)	(506)
	<u>3,946</u>	<u>(3,819)</u>
Deferred Tax		
Current year (Note 14)	2,981	(25,094)
Prior year (Note 14)	(1,002)	-
	<u>5,925</u>	<u>(28,913)</u>

The current year tax assessed for the year is higher than the standard rate of corporation tax in the UK of 30% (2001: 30%). The differences are explained below:

	2002 £'000	2001 £'000
Loss on ordinary activities before taxation	7,981	135,732
Tax credit on loss before tax at standard rate of 30% (2001: 30%)	(2,394)	(40,720)
Expenses not deductible for taxation purposes	432	6,708
Non taxable income – dividends received	(95)	-
Losses on shares	7,023	-
Write down of investments not subject to corporation tax	2,670	8,318
Depreciation in excess of capital allowances	7,126	5,897
(Decrease)/increase in provisions	(10,108)	19,197
Other including over provision in prior period	(708)	(3,219)
Actual current tax charge/(credit) on loss before taxation	<u>3,946</u>	<u>(3,819)</u>

Sema UK Limited

Notes to the Financial Statements At 31 December 2002 (continued)

8 Intangible Fixed Assets

	Purchased Goodwill £000	Software Licences £000 * restated	Total £000 * restated
Cost:			
At 1 January 2002	-	26,279	26,279
Additions	16,168	-	16,168
Disposals	(11,698)	-	(11,698)
At 31 December 2002	<u>4,470</u>	<u>26,279</u>	<u>30,749</u>
Depreciation:			
At 1 January 2002	-	17,664	17,664
Charge for year	-	4,902	4,902
At 31 December 2002	<u>-</u>	<u>22,566</u>	<u>22,566</u>
Net Book Amount:			
At 31 December 2002	<u>4,470</u>	<u>3,713</u>	<u>8,183</u>
At 31 December 2001	<u>-</u>	<u>8,615</u>	<u>8,615</u>

On 12 December 2002, the Company acquired the Artificial Lift and Completion business from group undertaking, Schlumberger WCP Limited. The consideration paid was £19,009,000 for net assets at book and fair market value of £7,311,000 giving rise to purchased goodwill of £11,698,000.

Effective the same day, the Company disposed of the Artificial Lift business to group undertakings, Schlumberger Evaluation and Production Services (UK) Limited and Schlumberger Offshore Services Limited at book and fair market value with nil impact on the profit and loss account.

On 31 December 2002, the Company acquired the assets and liabilities of the Schlumberger Network Solutions business from group undertaking Schlumberger Industries Limited. The consideration paid was £11,750,000 for net assets at book and fair value of £7,280,000 (Note 20) giving rise to purchased goodwill of £4,470,000 which will be amortised over 20 years.

* Accumulated depreciation balances brought forward as at 1 January 2002 have been restated as noted in note 9. This restatement has a nil impact on the profit and loss account for the year ended 31 December 2001.

Sema UK Limited

Notes to the Financial Statements At 31 December 2002 (continued)

9 Tangible Fixed Assets

	Leasehold Improvements	Computer Equipment	Office Furniture, Cars and Equipment	Total
	£000	£000 * restated	£000	£000 * restated
Cost:				
At 1 January 2002	6,210	88,201	17,967	112,378
Foreign exchange	-	13	(4)	9
Additions	1,578	14,061	14,009	29,648
Disposals	-	(682)	(9,828)	(10,510)
Reclassifications	-	27	(27)	-
At 31 December 2002	<u>7,788</u>	<u>101,620</u>	<u>22,117</u>	<u>131,525</u>
Depreciation:				
At 1 January 2002	1,317	75,441	14,257	91,015
Foreign exchange	-	3	(3)	-
Additions	190	-	5,780	5,970
Charge for year	198	9,667	3,160	13,025
Disposals	-	(324)	(6,330)	(6,654)
Reclassifications	-	(1)	1	-
At 31 December 2002	<u>1,705</u>	<u>84,786</u>	<u>16,865</u>	<u>103,356</u>
Net Book Amount:				
At 31 December 2002	<u>6,083</u>	<u>16,834</u>	<u>5,252</u>	<u>28,169</u>
At 31 December 2001	<u>4,893</u>	<u>12,760</u>	<u>3,710</u>	<u>21,363</u>

The net book amount of computer equipment held under finance leases is £nil (2001: £5,000). The depreciation charge for the year includes amounts in respect of computer equipment held under finance leases of £5,000 (2001: £557,000).

At 31 December 2002, the Company has contracted for capital expenditure for which no provision has been made in the financial statements of £ 208,420 (2000: £1,630,011).

*In 2001, the Company performed a review of the carrying value of its tangible and intangible fixed assets in light of difficult business conditions and booked impairment write downs and provisions accordingly. Further review of the items provided for has led to the restatement of the 2001 balance sheets amounts in respect of intangible assets, tangible assets and creditors: amounts falling due within one year such that accumulated depreciation balances brought forward for tangible assets (Computer equipment) of £12.3 million and £3.6 million for intangible assets (Software licences) (Note 8) have been reclassified to creditors: amounts falling due within one year (Note 12). These reclassifications had a nil impact on the profit and loss account for the year ended 31 December 2001.

Sema UK Limited

Notes to the Financial Statements At 31 December 2002 (continued)

10 Investments

	Investments £000	Group Undertakings £000	Total £000
Cost			
At 1 January 2002	14,139	59,680	73,819
Additions (refer below)	-	1,636,574	1,636,574
Disposals (refer below)	-	(65,160)	(65,160)
Liquidations (refer below)	-	(741,676)	(741,676)
Reclassification	1,671	(1,671)	-
At 31 December 2002	15,810	887,747	903,557
Provisions			
At 1 January 2002	14,139	22,219	36,358
Amounts provided in the year	1,671	41,399	43,070
At 31 December 2002	15,810	63,618	79,428
Net Book Amount:			
At 31 December 2002	-	824,129	824,129
At 31 December 2001	-	37,461	37,461

Trade Investments

The amounts provided during the year of £1,671,000 (2001: £9,739,000) represents a full write down of the Company's trade investments.

Group Undertakings

Additions

During February 2002, as part of a Schlumberger plc group restructuring, the Company acquired a number of investments from group undertakings as follows:

Company	Status	Ownership	Date	Consideration £000
Principia Mechanica	Dormant	100%	18 February	1,635
LHS AG (Switzerland)	Trading	100%	22 February	27,000
Sema Investments Limited	Holding company	100%	22 February	581,000
Sema Investment UK Limited	Holding company	100%	22 February	198,000
Sema Partner 1 Limited	Holding company	100%	22 February	85,000
Sema Partner 2 Limited	Holding company	100%	22 February	85,000
Sema-LHS (UK) Limited	Holding company	100%	22 February	170,000
LHS Europe Limited	Holding company	100%	22 February	198,000
Sema-LHS (Europe Holdings) Limited	Holding company	100%	22 February	198,000
Sema Atlanta Limited	Holding company	100%	22 February	-
Sema US Limited	Holding company	100%	22 February	-
Sema-LHS Holding GmbH & Co KG	Holding partnership	0.5%	22 February	879

Sema UK Limited

Notes to the Financial Statements At 31 December 2002 (continued)

10 Investments (continued)

On 28 April, the Company acquired 60% of the issued share capital of eToursim Limited, a newly incorporated company and joint venture with the Scottish Tourist Board. The consideration paid was £60,000.

On 21 August, the Company acquired four Business Continuity operating subsidiaries (Business Protection Services Limited (Eire), SGRS AB (Sweden), SGRS Aps (Denmark) and SGRS AS (Norway)) from group undertaking, Schlumberger Business Continuity Services Limited, for consideration of £18,000,000, £1,000,000, £1 and £1 respectively.

On 5 December 2002, the Company acquired dormant company BR Business Systems Limited from group undertaking, Sema International Limited, for consideration of £809,000.

On 18 December 2002, the Company acquired the remaining 98% issued share capital of Sema SpA Italy from group undertaking, Sema International Limited, for consideration of £18,984,000 thereafter owning the entire issued share capital of Sema SpA.

On 31 December, the Company acquired all of the issued share capital of Data Marine Systems Limited from group undertaking, Schlumberger Industries Limited for consideration of £53,207,000.

Disposals

On 12 September 2002, the Company disposed of its investment in four Business Continuity operating companies to associated Schlumberger companies at book value £19,000,000 with nil impact on the profit and loss account.

On 18 December 2002, the Company disposed of its entire 100% shareholding in Sema SpA to an associated Schlumberger company for consideration £19,371,000 generating a gain on disposal of £210,000 (Note 5).

On 19 December, the Company disposed of its investment in LHS AG (Switzerland) for consideration £23,122,000 generating a loss on disposal of £3,878,000 (Note 5).

On 20 December, the Company disposed of its investment in Sema Group Hong Kong to an associated Schlumberger company for consideration £20,583,000. The investment in Sema Group Hong Kong was previously held for nil book value, generating a gain on disposal of £20,583,000 on disposal (Note 5).

Liquidations

On 25 February, fifteen subsidiary undertakings were placed in Member's Voluntary Liquidation. The Company has disposed of its investment in these companies during the period, recognising a loss of £6,500,000 (Note 5) in the profit and loss account.

Provisions

Amounts provided during the year represent exceptional write downs of the Company's investments in subsidiary undertakings Sema Investments Limited and Sema Investment UK Limited to reflect their net book value as at 31 December 2002.

Sema UK Limited

Notes to the Financial Statements At 31 December 2002 (continued)

10 Investments (continued)

On 31 December 2002, the Company had the following investments in group undertakings:

	Voting rights and proportion held	Country of registration & operation	Nature of business
Data Marine Systems Limited	100%		Provision of telecom and network systems to corporate clients throughout the world
Sema Barbados Limited	100%	England and Barbados	Provision of information technology services
eTourism Limited	60%	Scotland	Joint venture set up to take bookings for serviced accommodation providers and provide information to tourists about Scotland
SchlumbergerSema Telekom GmbH & Co KG (formerly Sema-LHS Holding GmbH & Co KG)	0.5%	Germany	Holding partnership
Sema Investments Limited	100%	England	Holding company
Sema Investment UK Limited	100%	England	Holding company
BR Business Systems Limited	100%	England	Dormant
Syntax Managed Services Limited	100%	England	Dormant
Perthcrest Limited	100%	England	Dormant
Barabas Limited	100%	England	Dormant
Computer Analyst and Programmers Limited	100%	England	Dormant
Data Recovery Limited	100%	England	In liquidation
LHS Europe Limited	100%	England	In liquidation
Meridian Information Systems Limited	100%	England	In liquidation
Principia Mechanica Limited	100%	England	In liquidation
Sema Atlanta Limited	100%	England	In liquidation
Sema-LHS (UK) Limited	100%	England	In liquidation
Sema Partner 1 Limited	100%	England	In liquidation
Sema Partner 2 Limited	100%	England	In liquidation
Sema US Limited	100%	England	In liquidation
Sema Consulting Limited	100%	England	In liquidation
Sema Mobile Communications Limited	100%	England	In liquidation
Sema Outsourcing plc	100%	England	In liquidation
Sema Systems Limited	100%	England	In liquidation
Sema-LHS (Europe Holdings) Limited	100%	England	In liquidation
Yarrow Limited	100%	England	In liquidation

In the opinion of the directors, the value of the Company's investments in group undertakings is not less than the amount at which they are stated in the balance sheet.

Sema UK Limited

Notes to the Financial Statements At 31 December 2002 (continued)

11 Debtors

	2002 £000	2001 £000
Trade debtors	45,817	61,124
Amounts recoverable on contracts	54,454	32,815
Amounts owed by immediate parent undertaking	109,120	-
Amounts owed by group undertakings	205,672	134,188
Corporation tax	-	1,349
Deferred taxation (Note 14)	26,519	24,592
Other debtors	2,891	14,198
Prepayments and accrued income	21,662	12,163
	<u>466,135</u>	<u>280,429</u>

Amounts falling due after more than one year and included above as amounts owed by group undertakings total £14,184,000 (2001: £80,427,000). Further, included within deferred taxation above is an asset of £12,596,000 (2001: £3,806,000) which relates to amounts falling due in more than one year.

12 Creditors: amounts falling due within one year

	2002 £000	2001 £000 * restated
Bank overdraft	21,017	-
Trade creditors	29,731	38,845
Amounts owed to group undertakings	40,800	27,769
Corporation tax	2,134	-
Other taxation and social security	5,650	5,418
Hire purchase and finance lease commitments	-	1,083
Other creditors	11,786	16,790
Accruals and deferred income	57,699	80,080
	<u>168,817</u>	<u>169,985</u>

* Accruals and deferred income as at 1 December 2001 have been restated as noted in note 9. This restatement had a nil impact on the profit and loss account for the year ended 31 December 2001.

13 Creditors: amounts falling due after more than one year

	2002 £000	2001 £000
Amounts owed to group undertakings	1,217,647	259,562
Hire purchase and finance lease commitments falling due between 2 and 5 years	-	639
	<u>1,217,647</u>	<u>260,201</u>

The amounts owed to group undertakings are non-interest bearing and have no fixed repayment date but are not due for repayment within the following year.

Sema UK Limited

Notes to the Financial Statements At 31 December 2002 (continued)

14 Deferred taxation asset

	£'000
Balance at 1 January	24,592
Transfer from group company	3,906
Amount charged the profit and loss account (Note 7)	(1,979)
Balance at 31 December	<u>26,519</u>

At 31 December 2002 the deferred taxation asset is represented by the following timing differences:

	Recognised Asset £'000	2002 Total Potential Asset £'000	Recognised Asset £'000	2001 Total Potential Asset £'000
Accelerated capital allowances	16,795	16,795	5,075	5,075
Short term timing differences	9,724	9,724	19,517	19,517
	<u>26,519</u>	<u>26,519</u>	<u>24,592</u>	<u>24,592</u>

The directors are satisfied that future taxable profits support recognition of the deferred tax asset above.

15 Provisions for Liabilities and Charges

	2002 Property Dilapidations £000	2002 Provisions on Contracts £000	2002 Total £000	2001 Total £000
At 1 January	10,342	16,327	26,669	1,918
Provisions on contracts created during the year	-	1,694	1,694	15,814
Provision for property dilapidations created during the year	57	-	57	8,937
At 31 December	<u>10,399</u>	<u>18,021</u>	<u>28,420</u>	<u>26,669</u>

The provision for property dilapidations relates to the obligation to reinstate certain properties to their former condition at the end of the lease period or other potential exit date and are expected to be incurred between 2003 and 2007.

The provision on contracts relates to foreseeable losses expected to be incurred over the duration of certain long term contracts.

Sema UK Limited

Notes to the Financial Statements At 31 December 2002 (continued)

16 Share Capital

	2002 £000	2001 £000
<i>Authorised:</i>		
15,000,000 ordinary shares of £1 each (2001:15,000,000)	15,000	15,000
<i>Allotted, called-up and fully-paid:</i>		
12,750,000 ordinary shares of £1 each (2001:12,750,000)	12,750	12,750

17 Reserves

	Profit & Loss Account £000
As at 1 January 2002	87,112
Retained loss for the financial year	13,906
At 31 December 2002	101,018

Sema UK Limited

Notes to the Financial Statements At 31 December 2002 (continued)

18 Reconciliation of Movement in Shareholders' Funds

	Total Shareholders' Funds	
	2002	2001
	£000	£000
Opening shareholders' (deficit)/funds	(74,362)	32,459
Retained loss for the financial year	(13,906)	(106,819)
Other gains and losses:		
Foreign exchange (losses)/gains	-	(2)
Net reduction in shareholders funds	<u>(13,906)</u>	<u>(106,821)</u>
Closing shareholder's (deficit)	<u>(88,268)</u>	<u>(74,362)</u>

19 Guarantees and Other Financial Commitments

The Company had commitments under non-cancellable operating leases to pay the following amounts during the ensuing year:

	2002	2001
	£000	£000
In respect of land and buildings:		
Commitments expiring:		
- within one year	992	523
- between one and five years	2,525	2,702
- after five years	4,990	5,121
	<u>8,507</u>	<u>8,346</u>
In respect of other assets		
Commitments expiring:		
- within one year	344	2,171
- between one and five years	2,277	4,369
	<u>2,621</u>	<u>6,540</u>

Contingent liabilities not provided for in these financial statements relate to bank guarantees and performance bonds entered into in the normal course of business and amount to £2,996,000 (2001: £25,000).

The Company is also party to an unlimited cross party guarantee between former Sema PLC group companies and HSBC.

Sema UK Limited

Notes to the Financial Statements At 31 December 2002 (continued)

20 Acquisition of Schlumberger Industries Limited Network Solutions Business

On 31 December 2002, the Company acquired the business and assets of group undertaking Schlumberger Industries Limited's Network Solutions group as follows:

	Assets at book and fair value
	£000
Fixed Assets	1,196
Debtors	10,221
Creditors	(4,137)
Net Assets	7,280
Satisfied by:	
Cash	(11,750)
Goodwill	4,470

21 Subsequent Events

On 14 July 2003, the Company sold its 100% shareholding in Data Marine Systems Limited to group undertaking, Schlumberger NIS Limited, at book value with nil impact on the profit and loss account.

On 15 August 2003, the Company acquired Schlumberger plc's 73.81% shareholding in group undertaking, Sema International Limited, a UK registered holding company, for consideration £523 million.

Effective the same day, Schlumberger plc sold its 100% shareholding in the Company to group undertaking, Sema Limited, a UK registered holding company, therefore the immediate parent undertaking of the Company is now Sema Limited.

22 Ultimate Parent Undertaking

As of the date of approval of these accounts, Sema Limited, a company registered in England, is the immediate parent undertaking.

At the year end Schlumberger plc, a company registered in England, was the immediate parent and the parent undertaking of the smallest group of which Sema UK Limited was a member and for which group financial statements are drawn up.

Schlumberger Limited, a company incorporated in the Netherlands Antilles, is the ultimate parent company for which group financial statements are prepared.

Copies of the financial statements of Schlumberger plc can be obtained from 8th Floor, South Quay Plaza 2, 183 Marsh Wall, London, E14 9SH and Schlumberger Limited from 153 East 53rd Street, New York, NY 10022-4624, U.S.A.