

SEMA GROUP UK LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1997

REGISTERED NUMBER 1245534



**SEMA GROUP UK LIMITED
YEAR ENDED 31 DECEMBER 1997**

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 1997.

Review of the Business, Principal Activities and Future Developments

The principal activity of the company during the period has been the provision of information technology and consultancy services as well as the continued provision of management services to the other United Kingdom group undertakings of Sema Group plc. During the year, the company acquired the minority interest in its subsidiary Sema Group Outsourcing plc and a 100% interest in BR Business Systems Limited, through its immediate parent Barabas Limited. On 30 June 1997 and 31 December 1997 the entire business, trade, assets and liabilities of Syntax Managed Services Limited and Sema Group Outsourcing plc respectively were transferred to the company at net book value.

Results and Dividends

The results of the company are shown on page 4.

The results show an operating profit of £7,481,000 (1996: operating profit of £3,478,000).

The directors do not recommend the payment of a final dividend. An interim dividend of £12,000,000 was paid on 31 December 1997 (1996: £Nil). The total dividend payable in respect of the year is £12,000,000 (1996: £5,000,000). Transfers from reserves are disclosed in note 15 to the financial statements.

Directors

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

PSE Bonelli	Chairman
AM Dorrian	
FS Jones	
W Bitan	
DC Brearley	Resigned 31 March 1998

Directors' Interests

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

The beneficial and immediate family interests of PSE Bonelli in the shares of Sema Group plc and its subsidiary undertakings are disclosed in the financial statements of that company.

The beneficial and immediate family interests of the other directors in the shares of Sema Group plc and its subsidiary undertakings are as follows:

Sema Group plc	Ordinary shares of 10p each	
	31/12/97	31/12/96
W Bitan	11,608	-
FS Jones	200	200
A M Dorrian	261	261

**SEMA GROUP UK LIMITED
YEAR ENDED 31 DECEMBER 1997**

DIRECTORS' REPORT (CONTINUED)

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 6/7/2001 & 5/7/2008 At £7.3550 per share	Exercisable between 6/5/2000 & 5/5/2007 at £3.06875 per share	Exercisable between 5/03/99 & 4/03/06 at £1.4248 per share
FS Jones	30,849	100,000	245,928
W Bitan	11,936	60,000	163,952
A M Dorrian	-	80,000	163,952

W Bitan, A M Dorrian and F S Jones exercised options over 35,864, 30,741, and 51,235 shares respectively on 28 April 1997. Mr Bitan exercised at a price of £3.9816 per share whilst Mr Jones and Mr Dorrian exercised at a price of £3.9914. Mr Dorrian and Mr Jones sold their shares on exercise. On 3 March 1998 Mr Bitan sold his holding of 11,608 shares.

Options exercisable between 6 May 2000 and 5 May 2007 at a price of £3.06875 were granted on 6 May 1997. Options exercisable between 6 July 2001 and 5 July 2008 at a price of £7.3550 were granted on 7 July 1998.

The options granted to Messrs. Bitan, Jones and Dorrian in 1996 and exercisable between 5 March 1999 and 4 March 2006 have been adjusted for both price and number in accordance with the rules of the scheme following the rights issue of Sema Group plc in 1996. All outstanding options have been adjusted for the effect of the 3 for 1 capitalisation issue approved by the shareholders of Sema Group plc on 27 May 1998.

On 7 July 1998, Messrs Jones and Bitan respectively acquired 40,714 and 28,974 units of convertible loan stock with a nominal value of 25p each. The acquisition price included a premium of 25p per unit. The loan stock is convertible on 7 July 2003 into ordinary shares of 10p each subject to two performance criteria.

Employee Involvement

The company organises staff communication both centrally and locally. The media used for centrally organised communication include technical newsletters, information circulars and copies of press releases. At local level regular staff meetings are held and divisions publish notices containing information about matters of interest. The staff are represented on the board of trustees of both the Sema Group pension schemes in the United Kingdom.

SEMA GROUP UK LIMITED
YEAR ENDED 31 DECEMBER 1997

DIRECTORS' REPORT (CONTINUED)

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.

Policy on Payment to Creditors

The company does not operate a discriminatory policy with regard to suppliers, with the major supply contracts being subject to regular review by management and some long-term contracts being subject to a tender process.

Internal Systems

The company, along with all Sema Group entities, is conducting a review of its business and computer systems to assess their ability to deal with the date change from 1999 to 2000 and the introduction of the Euro. The costs of any remedial work necessary are written off to the profit and loss account as incurred. The company does not expect the cost associated with ensuring Year 2000 and euro compliance to have a material effect on its financial position.


Pension Schemes

Employees of the company are offered membership of the Sema Group Pension Scheme, which is a defined benefit 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. Both schemes are contracted out of the State Earnings Related Pension Scheme.

Auditors

The company's auditors, Price Waterhouse, merged with Coopers & Lybrand on 1 July 1998 and a resolution to appoint the new firm PricewaterhouseCoopers, as auditors to the company will be proposed to the annual general meeting.

By order of the Board



GKH Mason
Company Secretary

Registered Office
233 High Holborn
London
WC1V 7DJ

30 September 1998

SEMA GROUP UK LIMITED
YEAR ENDED 31 DECEMBER 1997

PROFIT AND LOSS ACCOUNT

	Notes	1997 £000	1996 £000
Turnover			
Continuing operations	2	134,950	91,777
Operating costs		<u>(127,469)</u>	<u>(88,299)</u>
Operating profit			
Continuing operations		7,481	3,478
Income from shares in group undertakings		<u>9,792</u>	<u>437</u>
Profit on ordinary activities before interest and taxation	3	17,273	3,915
Net interest receivable	5	<u>1,819</u>	<u>722</u>
Profit on ordinary activities before taxation		19,092	4,637
Tax on profit on ordinary activities	6	<u>(3,427)</u>	<u>(524)</u>
Profit on ordinary activities after taxation	15	15,665	4,113
Dividend	7, 15	<u>(12,000)</u>	<u>(5,000)</u>
Amount transferred to/(from) reserves	15	<u>3,665</u>	<u>(887)</u>

STATEMENT OF TOTAL GAINS AND LOSSES

	1997 £000	1996 £000
As previously reported	-	1,360
Prior year adjustment (refer note below)	<u>-</u>	<u>2,753</u>
Profit for the financial year	15,665	4,113
Currency translation differences on loans to group companies (note 15)	<u>(7,593)</u>	<u>(4,109)</u>
Tax effect of currency translation differences	<u>2,392</u>	<u>1,356</u>
Profit for the financial year as restated	<u>10,464</u>	<u>1,360</u>

The currency translation differences relate to a long term loan to an overseas fellow group company to finance foreign equity investments. Consequently these losses are considered to be part of a global group financing strategy and not reflective of the activities of the company. The prior year results have been amended to present the results on a consistent basis.

The cumulative effect of these currency translation losses amounts to £11,702,000 at 31 December 1997 (1996: £4,109,000).

The notes on pages 6 to 15 form part of these financial statements.

SEMA GROUP UK LIMITED
YEAR ENDED 31 DECEMBER 1997

BALANCE SHEET
AS AT 31 DECEMBER 1997

	Notes	1997 £000	1996 £000
Fixed assets			
Tangible Assets	8	22,140	4,338
Investments	9	84,229	22,589
		<u>106,369</u>	<u>26,927</u>
Current assets			
Debtors:			
Due within one year	10	84,990	41,317
Due after one year	10	81,469	59,901
Cash at bank and in hand		8,313	6,033
		<u>174,772</u>	<u>107,251</u>
Creditors: amounts falling due within one year	11	<u>(134,070)</u>	<u>(26,661)</u>
Net current assets		<u>40,702</u>	<u>80,590</u>
Total assets less current liabilities		<u>147,071</u>	<u>107,517</u>
Creditors: amounts falling due after more than one year	12	(132,507)	(91,597)
Provisions for liabilities and charges	13	(180)	-
		<u>14,384</u>	<u>15,920</u>
Capital and reserves			
Called up share capital	14,15	12,750	12,750
Profit and loss account	15	1,634	3,170
Equity shareholders' funds	15	<u>14,384</u>	<u>15,920</u>

The notes on pages 6 to 15 form part of these financial statements.

Approved by the Board of Directors on 30 September 1998 and signed on its behalf by



FS Jones
Director

SEMA GROUP UK LIMITED
YEAR ENDED 31 DECEMBER 1997

NOTES TO THE FINANCIAL STATEMENTS

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.

Group financial statements of the company and its group undertakings have not been prepared as the company has taken advantage, as a wholly owned group undertaking of Semra Group plc, of the dispensation available under the Companies Act 1985.

(b) Turnover

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

(c) Amounts Recoverable on Contracts

Work is undertaken for customers either on the basis that time and materials are billed as incurred or according to the terms of fixed price or limited price contracts which are substantially long term. With respect to the former, turnover and profits are recognised according to time worked. With respect to fixed or limited price contracts, turnover is recognised according to the percentage of the estimated total contract value completed and a prudent proportion of profit is also recognised as the contract progresses. All losses are recognised as soon as incurred or foreseen.

(d) Depreciation

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

Computer equipment:	33.3%
Office furniture, cars and equipment:	between 15% and 33.3%

(e) Deferred Taxation

Deferred taxation is provided in respect of timing differences between the recognition of income and expenditure for accounting and tax purposes, to the extent that any related reduction in the tax charge cannot be expected with reasonable probability to continue for the foreseeable future.

(f) 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.

(g) Pension Contributions

The expected cost of providing pension benefits to employees is charged to the profit and loss account over the period benefiting from the employees' services.

SEMA GROUP UK LIMITED
YEAR ENDED 31 DECEMBER 1997

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 Accounting Policies (continued)

(h) 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.

(i) Cash Flow Statement

No cash flow statement has been prepared. The company is a wholly owned subsidiary of Sema Group plc. Cash flows of the company are incorporated in the consolidated cash flow statement shown in the financial statements of Sema Group plc.

(j) 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.

SEMA GROUP UK LIMITED
YEAR ENDED 31 DECEMBER 1997

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Turnover

	1997 £000	1996 £000
Turnover is derived by destination from the following geographical regions:		
United Kingdom	71,060	42,004
Rest of Europe	21,748	11,235
Asia	21,083	12,181
The Americas	4,219	3,545
Rest of the world	12,789	13,660
	<u>130,899</u>	<u>82,625</u>
Intragroup turnover	4,051	9,152
	<u>134,950</u>	<u>91,777</u>

In the opinion of the directors, the company has operated in one principal class of business, namely the provision of information technology and consultancy services.

3 Profit on ordinary activities before taxation

	1997 £000	1996 £000
Profit on ordinary activities before taxation is stated after charging the following:		
Staff costs (note 4)	45,713	37,702
Research and development	12,044	6,577
Depreciation of tangible fixed assets (note 8)	3,217	3,522
Auditors' remuneration - audit services	70	50
Rent of land and buildings	3,173	3,211
(Gains) on disposals of investments	<u>(2,641)</u>	<u>-</u>

Fees paid to the auditors, in respect of services other than audit services to the company and its fellow group undertakings, amount to £170,000 (1996:£160,000).

SEMA GROUP UK LIMITED
YEAR ENDED 31 DECEMBER 1997

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 1997

4. Staff costs

The company acts as the administration and management company to the operations of Sema Group plc within the United Kingdom. Staff employed by the company are, when appropriate, seconded to individual group or associated undertakings at a rate equal to full salary cost plus social security and other pension costs. Costs relating to the activities of the company are as follows:

	1997 £000	1996 £000
Staff (including directors):		
Wages and salaries	39,989	32,376
Social security costs	3,406	2,827
Other pension costs	2,318	2,598
	<u>45,713</u>	<u>37,801</u>
Less:		
Recharged to group undertakings	-	(99)
	<u>45,713</u>	<u>37,702</u>

	1997 Number	1996 Number
The average number of employees during the year was:	<u>1,171</u>	<u>1,035</u>

Pension arrangements

The company is a 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 Group plc's UK subsidiaries who elect to become members.

The financial effects of Sema Group plc's pension arrangements, including the Sema Group Pension Scheme and the Sema Group CS Pension Scheme, are disclosed in the consolidated financial statements of Sema Group plc. In these accounts, the charge in the profit and loss account for the year before recharges to group companies was £2,318,000 (1996:£2,598,000).

Directors' Remuneration

	1997 £000	1996 £000
Emoluments excluding pension contributions:	<u>423</u>	<u>370</u>
	<u>423</u>	<u>370</u>

The chairman received remuneration in the year excluding pension contributions of £98,547 (1996:£98,684). The highest paid director received remuneration in the year excluding pension contributions of £293,889 (1996:£238,387).

Retirement benefits are accruing to one director (1996: one) under the defined benefit scheme referred to above.

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 1997.

SEMA GROUP UK LIMITED
YEAR ENDED 31 DECEMBER 1997

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 Net interest receivable

	1997 £000	1996 £000
Interest payable and similar charges in respect of:		
Bank loans and overdrafts wholly repayable within 5 years	(1,491)	(1,859)
Group undertakings	(902)	(134)
	<u>(2,393)</u>	<u>(1,993)</u>
Finance lease charges (on leases repayable within 5 years by instalments)	(18)	(71)
	<u>(2,411)</u>	<u>(2,064)</u>
Interest receivable		
- Intragroup	3,701	2,492
- Other	529	294
	<u>1,819</u>	<u>722</u>

6 Tax on profit on ordinary activities

	1997 £000	1996 £000
The charge for the year is made up as follows:		
United Kingdom group relief at 31.5%:(1996:33%):		
Current	2,328	1,847
Under/(Over) provision in prior years	1,099	(1,323)
	<u>3,427</u>	<u>524</u>

The charge and release of amounts under and over provided in prior years follows the settlement of various outstanding group taxation issues.

7 Dividends

	1997 £000	1996 £000
Paid - interim	12,000	-
Proposed - final	-	5,000
	<u>12,000</u>	<u>5,000</u>

SEMA GROUP UK LIMITED
YEAR ENDED 31 DECEMBER 1997

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 Tangible assets

	Computer equipment £000	Office furniture and equipment £000	Motor vehicles £000	Total £000
Cost:				
At 1 January 1997	7,786	3,529	2,937	14,252
Additions	3,602	555	-	4,157
Group transfers out	-	-	(36)	(36)
Group transfers in	40,651	5,605	114	46,370
Disposals	-	-	(985)	(985)
At 31 December 1997	<u>52,039</u>	<u>9,689</u>	<u>2,030</u>	<u>63,758</u>
Depreciation:				
At 1 January 1997	4,450	3,003	2,461	9,914
Charge for year	2,680	255	282	3,217
Group transfers out	-	-	(36)	(36)
Group transfers in	26,218	3,137	45	29,400
Disposals	-	-	(877)	(877)
At 31 December 1997	<u>33,348</u>	<u>6,395</u>	<u>1,875</u>	<u>41,618</u>
Net Book Amount:				
At 31 December 1997	<u>18,691</u>	<u>3,294</u>	<u>155</u>	<u>22,140</u>
At 31 December 1996	<u>3,336</u>	<u>526</u>	<u>476</u>	<u>4,338</u>

The net book amount of computer equipment held under finance leases was £7,639,000 (1996: £Nil). The depreciation charge for the year includes amounts in respect of computer equipment held under finance leases of £97,000 (1996: £Nil).

The net book amount of office furniture and equipment held under finance leases was £536,000 (1996: £Nil). No depreciation was charged during the year in respect of these assets (1996: £Nil).

The net book amount of motor vehicles held under finance leases was £155,000 (1996: £468,000). The depreciation charge for the year includes amounts in respect of motor vehicles held under finance leases of £282,000 (1996: £772,000).

At 31 December 1997, the company has contracted for capital expenditure for which no provision has been made in the financial statements of £1,238,034 (1996: £26,000).

SEMA GROUP UK LIMITED
YEAR ENDED 31 DECEMBER 1997

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 1997

9 Investments

	Group Undertakings £000	Associated Undertakings £000	Total £000
At 1 January 1997	17,694	4,895	22,589
Additions	79,487	200	79,687
Disposals	(15,375)	(2,672)	(18,047)
At 31 December 1997	<u>81,806</u>	<u>2,423</u>	<u>84,229</u>

The additions to group undertakings relate primarily to the acquisition on 1 February 1997 of a 100% interest in BR Business Systems Limited through its immediate parent company Barabas Limited, a company incorporated in England, and various costs associated with the acquisition of minority interests held in existing group companies through the purchase of the remaining 50% of the ordinary share capital of SGFM (Participation) Limited for £14.6 million. Full details of the BR Business Systems Limited transaction is given in the published accounts of the company's holding company, Sema Group plc. The interest in Sema Group Outsourcing plc, held by SGFM (Participation) Limited was acquired by Sema Group UK Limited on 18 November 1997. SGFM (Participation) Limited has remained dormant since that date.

The disposals relate primarily to the transfer of undertakings to fellow group companies.

On 30 June 1997 the business, trade and net assets of Syntax Managed Services Limited were transferred to Sema Group UK Limited at net book value.

Subsequent to the acquisition during the year of the minority interest held in the company's group undertaking Sema Group Outsourcing Plc, the business, trade and net assets of that company were transferred at net book value to Sema Group UK Limited at the close of business on 31 December 1997 (see note 19). Sema Group Outsourcing Plc has remained dormant since that date.

Group undertakings

The principal actively trading group undertakings at 31 December 1997, all of which were engaged in the provision of information technology services, were as follows (all holdings were in ordinary shares):

	Voting rights & proportion held	Country of registration and operation
<i>Direct subsidiary undertakings</i>		
Sema Group Recovery Services Limited	100.0%	England
<i>Indirect subsidiary undertakings</i>		
BR Business Systems Limited	100.0%	England

Associated undertakings

The principal associated undertaking at 31 December 1997 which was also engaged in the provision of information technology services, was as follows (holding was in ordinary shares):

Paradigm Systems (Pty) Limited	45%	South Africa
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SEMA GROUP UK LIMITED
YEAR ENDED 31 DECEMBER 1997

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 Debtors

	1997	1996
	£000	£000
Trade debtors	40,321	20,398
Amounts recoverable on contracts	14,411	11,339
Amounts owed by group undertakings	100,328	64,826
Advance corporation tax	469	42
Other debtors	5,068	4,368
Prepayments and accrued income	5,862	245
	<u>166,459</u>	<u>101,218</u>

Amounts falling due after more than one year and included above as amounts owed by group undertakings total £81,469,000 (1996:£59,901,000)

11 Creditors: amounts falling due within one year

	1997	1996
	£000	£000
Bank overdrafts	34,505	-
Trade creditors	19,936	2,387
Payments on account	12,982	8,837
Amounts owed to group undertakings	30,664	4,000
Corporation tax	719	135
Other taxation and social security	6,547	1,201
Hire purchase and finance lease commitments	1,269	452
Other creditors	11,377	4,119
Accruals	16,071	5,530
	<u>134,070</u>	<u>26,661</u>

12 Creditors: amounts falling due after more than one year

	1997	1996
	£000	£000
Amounts owed to parent undertaking	115,196	89,800
Amounts owed to group undertakings	10,497	1,781
Hire purchase and finance lease commitments falling due:		
Between 1 and 2 years	1,844	9
Between 2 and 5 years	4,301	7
After 5 years	669	-
	<u>132,507</u>	<u>91,597</u>

SEMA GROUP UK LIMITED
YEAR ENDED 31 DECEMBER 1997

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 Provisions for liabilities and charges

	1997 £000	1996 £000
Movement in year:		
At 1 January 1997	-	-
Transferred from group undertakings	180	-
At 31 December 1997	<u>180</u>	<u>-</u>

The provisions above relate to amounts provided in respect of deferred taxation.

14 Share capital

	1997 £000	1996 £000
Authorised:		
15,000,000 ordinary share of £1 each (1996:15,000,000)	<u>15,000</u>	<u>15,000</u>
Allotted and fully paid:		
12,750,000 ordinary shares of £1 each (1996: 12,750,000)	<u>12,750</u>	<u>12,750</u>

15 Reconciliation of movement in shareholders' funds

	Share Capital £000	Profit & Loss Account £000	Total Shareholders' Funds 1997 £000	1996 £000
Profit for the year	-	15,665	15,665	4,113
Dividends paid or proposed	-	(12,000)	(12,000)	(5,000)
Other gains and losses:				
foreign exchange losses (see below)	-	(7,593)	(7,593)	(4,109)
tax effect of foreign exchange losses	-	2,392	2,392	1,356
Net (reduction) in shareholders funds	<u>-</u>	<u>(1,536)</u>	<u>(1,536)</u>	<u>(3,640)</u>
At 1 January 1997	<u>12,750</u>	<u>3,170</u>	<u>15,920</u>	<u>19,560</u>
At 31 December 1997	<u>12,750</u>	<u>1,634</u>	<u>14,384</u>	<u>15,920</u>

Foreign exchange losses relate to exchange losses on long term loans to an overseas fellow group company to finance foreign equity investments.

SEMA GROUP UK LIMITED
YEAR ENDED 31 DECEMBER 1997

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16 Guarantees and other financial commitments

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

	1997 £000	1996 £000
In respect of land and buildings:		
Commitments expiring - between 1 and 5 years	2,265	635
Commitments expiring - after 5 years	3,502	2,723
	<u>5,767</u>	<u>3,358</u>
In respect of plant and machinery		
Commitments expiring between 1 and 5 years	1,586	-
	<u>1,586</u>	<u>-</u>

17 Ultimate parent undertaking

The ultimate parent undertaking is Sema Group plc which is registered in England and which prepares the sole financial statements of the group of which the company is a member. Copies of the Sema Group plc financial statements may be obtained from the company secretary, 233 High Holborn, London WC1V 7DJ.

18 Related party transactions

The company is a wholly owned subsidiary of Sema Group plc, whose accounts are available from the above address, (see note 17). Accordingly the company has taken advantage of the exemptions, set out in Financial Reporting Standard 8, from the requirement to disclose related party transactions with other group members of Sema Group plc.

19 Net assets transferred from subsidiaries

At close of business on 30 June 1997, Syntax Managed Services Limited, a wholly owned subsidiary, transferred its trade and net assets at book value, which approximates fair value, to Sema Group UK Limited.

At the close of business on 31 December 1997, Sema Group Outsourcing Plc, a wholly owned subsidiary of the company, also transferred its trade and net assets at net book value, which approximates fair value, to Sema Group UK Limited. The following assets, in respect of these transactions, are included in the company's balance sheet at 31 December 1997:

	Syntax Managed Services Limited £000	Sema Group Outsourcing Limited £000
Fixed assets	1,796	15,375
Debtors	2,274	31,572
Cash	695	7,280
Creditors	(4,765)	(54,047)
Provisions	-	(180)
	<u>-</u>	<u>-</u>

SEMA GROUP UK LIMITED
YEAR ENDED 31 DECEMBER 1997

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year, and of the profit or loss of the company for the financial year.

The directors consider that in preparing the financial statements on pages 4 to 15 the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business. On the basis of their review of the company's order book, its present and forecast liquidity as well as its 1998 and 1999 budgeted profit and cash flow and other factors, the directors have no reason to doubt that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis continues to be adopted in preparing these financial statements.

SEMA GROUP UK LIMITED
YEAR ENDED 31 DECEMBER 1997

AUDITORS' REPORT TO THE SHAREHOLDERS OF SEMA GROUP UK LIMITED

We have audited the financial statements on pages 4 to 15 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors.

As described on page 16 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors

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29 October 1998