

**EDS Finance plc**

**Directors' report and financial statements**

31 December 1997

Registered number 2099503



## **Directors' report and financial statements**

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## Directors' report

The directors have pleasure in presenting their report and the audited financial statements for the year ended 31 December 1997.

### Principal activities

The company continues to trade as a finance company, providing a range of services to the EDS group of companies.

### Review of business and future developments

Both the level of business and the year end financial position were satisfactory, and the directors expect the present level of activity will be sustained for the foreseeable future.

### Results

The results for the year are set out in the profit and loss account on page 5. The directors do not recommend the payment of a dividend (1996: \$nil). The profit for the year retained in the company is \$4,832,000 (1996: \$3,758,000).

### Directors and directors' interests

The directors who held office during the year and subsequently were as follows:

JA Bateman	
GA Hawkes	
GS Koser	(resigned 3 April 1998)
WP Benac	(resigned 24 October 1997)
RT Shelton	
AC Stevens	

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

## **Directors' report**

### **Directors and officers liability**

Directors' and officers' liability insurance has been recharged to the company by its parent company, Electronic Data Systems Corporation, a company incorporated in the United States of America.

### **Auditors**

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



**DM Roy**  
*Deputy Secretary*

31 July 1998

4 Roundwood Avenue  
Stockley Park  
Uxbridge  
Middlesex  
UB11 1BQ

## **Statement of directors' responsibilities**

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 and of the profit or loss 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, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They 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.



PO Box 695  
8 Salisbury Square  
London  
EC4Y 8BB

## **Auditors' report to the members of EDS Finance plc**

We have audited the financial statements on pages 5 to 13.

### *Respective responsibilities of directors and auditors*

As described on page 3 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.

*KPMG*

**KPMG**  
*Chartered Accountants*  
*Registered Auditors*

*31 July, 1998*

## **Profit and loss account**

*for the year ended 31 December 1997*

	<i>Note</i>	1997 \$'000	1996 \$'000
Administrative expenses		(3,585)	(1,812)
Other operating income		3,141	6,490
Other interest receivable and similar income	5	78,124	61,928
Interest payable and similar charges	6	(70,503)	(60,992)
		<hr/>	<hr/>
<b>Operating profit and profit on ordinary activities before taxation</b>	2	7,177	5,614
Tax on profit on ordinary activities	7	(2,345)	(1,856)
		<hr/>	<hr/>
<b>Profit for the financial year</b>	13	4,832	3,758
Retained profit brought forward		27,299	23,541
		<hr/>	<hr/>
<b>Retained profit carried forward</b>		32,131	27,299
		<hr/> <hr/>	<hr/> <hr/>

The results for this and the prior year are all derived from continuing activities.

The company has no recognised gains or losses other than those reported in the profit and loss account. Accordingly a statement of total recognised gains and losses has not been prepared.

The results for this and the prior year disclosed in the profit and loss account are on a historical cost basis.

## Balance sheet

*at 31 December 1997*

	<i>Note</i>	1997 \$'000	1996 \$'000
<b>Fixed assets</b>			
Tangible assets	8	-	-
<b>Current assets</b>			
Debtors	9	1,403,311	1,497,087
Investments	10	21,769	97,557
Cash at bank and in hand		24,695	40,560
		<hr/>	<hr/>
		1,449,775	1,635,204
<b>Creditors: amounts falling due within one year</b>	11	(1,387,642)	(1,577,903)
		<hr/>	<hr/>
<b>Net assets</b>		62,133	57,301
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	12	30,002	30,002
Profit and loss account		32,131	27,299
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>	13	62,133	57,301
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 30 July 1998 and were signed on its behalf by:

  
**GA Hawkes**  
*Director*



## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The financial statements are prepared in US Dollars as this is the principal currency in which the company's transactions are made.

#### *Related party transactions*

The company has taken advantage of the exemption in Financial Reporting Standard 8 not to disclose related party transactions with Electronic Data Systems Corporation and its subsidiaries.

#### *Cash flow statement*

The company is exempt from the requirement of Financial Reporting Standard No.1 to prepare a cash flow statement as it is a wholly owned subsidiary of EDS International Limited, and its cash flows are included within the consolidated cash flow statement of that company.

#### *Taxation*

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax using the liability method on all timing differences only to the extent that it is probable that an actual liability will crystallise.

#### *Foreign currencies*

Transactions denominated in other foreign currencies are translated into US Dollars and recorded at the rate of exchange ruling at the date of the transactions. Balances denominated in other currencies, including forward foreign exchange commitments, are translated into US Dollars at the rates ruling at the balance sheet date and the gains or losses on translation arising are included in the profit and loss account.

#### *Current asset investments*

Listed and unlisted investments are valued at the lower of cost and market value, as adjusted for amortisation of any premiums or discounts against face value. Amortisation is calculated on the straight line method over the outstanding period to maturity.

## Notes (continued)

### 2 Profit on ordinary activities before taxation

	1997 \$'000	1996 \$'000
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration	21	28
	<u>          </u>	<u>          </u>

Auditors' remuneration is solely in respect of audit services.

### 3 Remuneration of directors

The directors are employees of other group undertakings. Two directors received emoluments in relation to services provided to the company. No emoluments were paid to the other directors specifically in relation to their services to the company.

	1997 \$'000	1996 \$'000
Directors' emoluments	331	232
Amounts receivable under long term incentive schemes	18	23
	<u>          </u>	<u>          </u>
	349	255
	<u>          </u>	<u>          </u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was \$228,604 (1996: \$171,015). He is a member of a defined benefit scheme, under which his accrued pension at the year end was \$25,115, and his accrued lump sum was \$78,058.

	Number of directors	
	1997	1996
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	2	2
	<u>          </u>	<u>          </u>
The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was	1	1
	<u>          </u>	<u>          </u>

**Notes (continued)**

**4 Staff numbers and costs**

All staff are on secondment from fellow subsidiary undertakings.

**5 Other interest receivable and similar income**

	1997 \$'000	1996 \$'000
From group undertakings	71,016	59,726
From third parties	3,989	2,202
Foreign exchange gain	3,119	-
	<hr/> 78,124 <hr/>	<hr/> 61,928 <hr/>

**6 Interest payable and similar charges**

	1997 \$'000	1996 \$'000
To group undertakings	43,040	25,731
Bank loan and overdraft	276	243
Commercial paper interest expense	27,187	28,684
Foreign exchange loss	-	6,334
	<hr/> 70,503 <hr/>	<hr/> 60,992 <hr/>

## Notes (continued)

### 7 Taxation

	1997 \$'000	1996 \$'000
Corporation tax at 31.5% (1996: 33%)	2,261	1,856
Overseas taxation	1,249	196
	<hr/> 3,510	<hr/> 1,660
Less relief for overseas taxation	(1,249)	(196)
	<hr/> 2,261	<hr/> 1,856
Adjustments to prior years' tax provision	84	-
	<hr/> 2,345	<hr/> 1,856
	<hr/> <hr/>	<hr/> <hr/>

### 8 Tangible fixed assets

	Computer equipment and software \$'000
<i>Cost</i>	
As at 1 January 1997 and 31 December 1997	200
	<hr/> <hr/>
<i>Depreciation</i>	
As at 1 January 1997 and 31 December 1997	200
	<hr/> <hr/>
<i>Net book value</i>	
As at 31 December 1997	-
	<hr/> <hr/>
As at 31 December 1996	-
	<hr/> <hr/>

There were no capital commitments at 31 December 1997 (1996: \$nil).

## Notes (continued)

### 9 Debtors

	1997		1996
	\$'000	\$'000	\$'000
Amounts owed by parent and fellow subsidiary undertakings:			
Intercompany loans	1,230,380		1,295,759
Intercompany current accounts	138,077		163,015
	<hr/>		<hr/>
		1,368,457	1,458,774
Other debtors		-	1,577
Prepayments and accrued income		31,939	33,821
Corporation tax		2,915	2,915
		<hr/>	<hr/>
		1,403,311	1,497,087
		<hr/> <hr/>	<hr/> <hr/>

### 10 Investments

	1997		1996
	\$'000		\$'000
Short term cash deposits		21,769	97,557
		<hr/> <hr/>	<hr/> <hr/>

### 11 Creditors: amounts falling due within one year

	1997		1996
	\$'000	\$'000	\$'000
Euro Commercial Paper		44,997	539,486
US Commercial Paper		226,300	243,739
Amounts owed to parent and fellow subsidiary undertakings:			
Intercompany loans	972,777		653,922
Intercompany current accounts	127,913		130,461
	<hr/>		<hr/>
		1,100,690	784,383
Corporation tax		2,345	1,660
Accruals and deferred income		13,310	8,635
		<hr/>	<hr/>
		1,387,642	1,577,903
		<hr/> <hr/>	<hr/> <hr/>

**Notes (continued)**

**12 Called up share capital**

	1997 \$'000	1996 \$'000
<i>Authorised, allotted, called up and fully paid</i>		
19,001,000 ordinary shares of £1 each	30,002	30,002
	<u>30,002</u>	<u>30,002</u>

**13 Reconciliation of movement in shareholders' funds**

	1997 \$'000	1996 \$'000
Opening shareholders' funds	57,301	53,543
Profit for the year	4,832	3,758
	<u>62,133</u>	<u>57,301</u>
<b>Closing shareholders' funds</b>	<u>62,133</u>	<u>57,301</u>

**14 Intermediate holding company**

The intermediate holding company is EDS International Limited, a company incorporated in England and Wales, which is the smallest group in which the accounts are consolidated. These accounts may be obtained from the following address:

EDS International Limited  
 4 Roundwood Avenue  
 Stockley Park  
 Uxbridge  
 Middlesex  
 UB11 1BQ

**Notes** *(continued)*

**15 Ultimate holding company**

The ultimate holding company was Electronic Data Systems Corporation, a company incorporated in the United States of America, which was the largest group in which the accounts were consolidated. These accounts may be obtained from the following address:

Electronic Data Systems Corporation  
5400 Legacy Drive  
Plano  
Texas 75024  
USA