STERIA LIMITED

FINANCIAL STATEMENTS

31 December 2005

Company Registration Number 2706218

STERIA LIMITED
Financial Statements
Year ended 31 December 2005

Contents

STERIA LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

The Board of directors	Mr F Enaud Mr S Cabannes Mr J Torrie Mr D S Ahluwalia
Company secretary	Mr J G Shewring
Registered office	Three Cherry Trees Lane Hemel Hempstead Hertfordshire HP2 7AH
Registered number	2706218
Auditors	Ernst & Young LLP Registered Auditors 1 More London Place London SE1 2AF
Bankers	National Westminster Bank Plc 100 Brentford High Street Brentford Middlesex TW8 8AY

STERIA LIMITED
DIRECTORS' REPORT
Year ended 31 December 2005

The directors have pleasure in presenting their annual report and the audited financial statements of the company for the year ended 31 December 2005.

Principal activities and review of the business
The principal activity of the company during the year was the provision of IT services. The company is part of Groupe Steria SCA, a leading IT services group and is therefore able to provide the same global offer covering outsourcing, systems integration and consulting services.

Results and dividends
The trading results for the year, and the company's financial position at the end of the year, are shown in the attached financial statements.

The directors do not recommend a dividend (2004: £nil).

Future developments
Steria Limited will continue to develop its products and services in support of Steria group

Events in the year
On 26 February 2004, HH Judge Seymour QC handed down a judgement against the company in the sum of £732,600, including interest. This judgement was obtained by Peregrine Systems Limited and full provision, with costs, was made in the financial statements to 31 December 2003 (see note 21).

The company appealed against the judgement and a hearing of selected points of the appeal was held on 7 and 8 December 2004. Steria was unsuccessful in this part of its appeal, the judgment in relation to which was handed down on 14 March 2005.

Steria and Peregrine Systems Limited have subsequently settled the proceedings in the year.

On 11 December 2005, an explosion at the Buncefield oil depot, caused significant damage to the Hemel Hempstead office. Due to safety issues the authorities prevented access to the building for the next 9 days. Due to the hard work and commitment of staff the disruption to customers was minimised (see note 4).

Events since the balance sheet date
On 20th December 2006 the Company issued an additional 37.2 million £1 Ordinary shares at par value fully called up to Steria Holdings Limited. This has the effect to increase the issued share capital of Steria Limited to £51,459,102.

Consideration for these shares is that Steria Holdings Limited has entered into a formal undertaking to pay the full amount, together with the unpaid element of the issued share capital from December 2002, namely £46.5 million, no later than 31 December 2010.

Directors
The directors who served the company throughout the year, were as follows:

Mr D S Ahluwalia
Mr F Enaud
Mr J Torrie
Mr S Cabannes

The interests of the group directors in the shares of other group companies are disclosed in the financial statements of the ultimate parent company, Groupe Steria SCA.

None of the other directors had any interests in the shares of the company or any group company requiring disclosure under the Companies Act 1985.

STERIA LIMITED
DIRECTORS' REPORT (CONTINUED)
Year ended 31 December 2005

Policy on the payment of creditors
The company agrees terms and conditions for its business transactions with its suppliers. Payment is then made to those terms, subject to the terms and conditions being met by the supplier.

Trade creditors of the company at 31 December 2005 were equivalent to 29 days' purchases, based on the average daily amount invoiced by suppliers to the company during the year.

Donations	**2005**	**2004**
During the year, the company made the following donations:	**£000**	**£000**
Charitable	14	9

Employment of disabled persons
The company endeavours to employ disabled persons where the requirements of the employment are such that the duties can be effectively covered by a disabled person. Where employees become disabled, the company endeavours to continue to employ them with appropriate support, provided there are duties which can be performed bearing in mind their disability.

The need to develop the careers of our disabled employees is accepted by the company and steps are taken to train and promote disabled employees where this is in their own and the company's best interests.

Employee involvement
Within the bounds of commercial confidentiality, information is disseminated to all levels of staff about matters that affect the progress of the company and are of interest and concern to them as employees.

Insurance & indemnities
The directors have been granted an indemnity from the company whereby the directors shall be entitled to be indemnified against liability incurred by them in the discharge of the duties of their office. The indemnity provisions do not provide cover in the event that a director is proved to have acted fraudulently or in knowing breach of trust.Neither the company's indemnity nor insurance provides cover in the event that a director is proved to have acted fraudulently or dishonestly.

The company has undertaken to indemnify the directors of Steria (Retirement Plan) Trustees Limited and Steria (Management Plan) Trustees Limited under the rules of the relevant Steria pension schemes. These may (to some extent) be qualifying third party indemnity provisions under section 309A-B of the Companies Act 1985. The indemnity provisions do not provide cover in the event that a director is proved to have acted fraudulently or in knowing breach of trust.

Auditors
A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

Signed by order of the Board of directors

Mr J G Shewring
Company Secretary

Approved by the Board of directors on 26 January 2007.

STERIA LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
Year ended 31 December 2005

United Kingdom 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 as 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; and
- 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 maintaining 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF STERIA LIMITED

We have audited the company's financial statements for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 30. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as 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 International Standards on Auditing (UK and Ireland).

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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditors
London

Date: 30 January 2007

STERIA LIMITED
PROFIT AND LOSS ACCOUNT
Year ended 31 December 2005

	Notes	2005 £000	2004 £000 (restated)
Turnover	2	177,660	179,647
Cost of sales		(139,273)	(142,682)
Gross profit		38,387	36,965
Distribution costs		(17,611)	(13,826)
Administrative expenses		(13,062)	(11,310)
Integration costs	5	52	(3,776)
Amortisation of goodwill		(1,713)	(1,713)
Other operating Income	3	154	162
Operating profit	4	6,207	6,502
Interest receivable and similar income	8	456	717
Interest payable and similar charges	9	(1,492)	(792)
Profit on ordinary activities before taxation		5,171	6,427
Tax on profit on ordinary activities	10	(2,580)	(2,364)
Profit on ordinary activities after taxation	23	2,591	4,063

Continuing operations

All of the activities of the company are classed as continuing.

STERIA LIMITED
Statement of total recognised gains and losses
for the year ended 31 December 2005

	Notes	2005 £000	2004 £000 (restated)
Profit for the financial year		2,591	4,063
Actuarial Gains and Losses on pension scheme	25	(13,815)	(32,206)
Deferred tax on Actuarial pension scheme		4,144	9,662
Total recognised gains and losses related to the year		(7,080)	(18,481)
Prior year adjustments	1		(27,944)
Total recognised gains and losses since last accounts		(7,080)	(46,425)

STERIA LIMITED
BALANCE SHEET
31 December 2005

	Notes		2005 £000		2004 £000 (restated)
Fixed assets					
Intangible assets	11		28,481		30,473
Tangible assets	12		15,196		14,756
			43,677		45,229
Current assets					
Stocks	13	991		1,469	
Debtors	14	62,755		66,806	
Deferred tax	15	(134)		(107)	
Cash at bank and in hand		7,708		11,841	
		71,320		80,009	
Creditors: amounts falling due within one year	16	(59,432)		(60,959)	
Net current assets			11,888		19,050
Total assets less current liabilities			55,565		64,279
Creditors: amounts falling due after more than one year	17		(4,446)		(5,898)
Provisions for liabilities and charges					
Other provisions	21		(4,933)		(11,863)
Net Assets excluding pension assets and liabilities			46,186		46,518
Pension Liabilities	25		(60,489)		(53,741)
Net Liabilities including pension assets and liabilities			(14,303)		(7,223)
Capital and reserves					
Called up equity share capital	22		14,259		14,259
Share premium account	23		25,425		25,425
Profit and loss account	23		(53,987)		(46,907)
Equity shareholders' funds	23		(14,303)		(7,223)

These financial statements were approved by the Board of Directors on 26 January 2007 and signed on their behalf by:

MR D S AHLUWALIA
Director

STERIA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2005

1 Accounting policies

Fundamental accounting concept
The financial statements are prepared on a going concern basis as the parent company and fellow group undertakings have confirmed that they will provide financial support to enable the company to meet its financial obligations as they fall due.

Basis of preparation

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

The group has adopted FRS17 effective from 1 January 2005. Under FRS 17, the difference between the market value of assets of the Group's pension and post-retirement benefit schemes and the present value of accrued pension liabilities is reported on the balance sheet as a pension liability, net of related deferred tax. Previously the group accounted for pensions and post-retirement benefits in accordance with Statement of Standard Accounting Practice No 24: Pension costs (SSAP 24). Under SSAP 24, the balance sheet included provisions for unfunded pension obligations and other post-retirement benefits, and provisions for the cumulative difference between pension charges included in the profit and loss account and actual payments to the schemes.

In the accounts for the year to 31 December 2005, the impact on the net assets on adoption of FRS 17 as at 31 December 2003 has been shown as a prior year adjustment. Shareholder's funds have been reduced by £27,944,000 as at 31 December 2003 and £53,741,000 as at 31 December 2004.

Cash flow statement
The directors have taken advantage of the exemption in Financial Reporting Standard 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

Turnover and revenue recognition
Revenue recognition occurs generally when, and to the extent that, the right to consideration is obtained in exchange for performance. Revenue is recognised on a prudent basis, as contract activity progresses, to the extent that the outcome can be assessed with reasonable certainty.

The amount of revenue recognised on a long-term contract is derived from the proportion of costs incurred, where this provides evidence of performance and hence the right to consideration.
Revenue and attributable profit are calculated on a percentage completion basis, according to the costs incurred as a proportion of the total expected costs on the contract. Where known inequalities of profitability exist within different parts of the contract, these are separated where possible in the revenue and profit calculation. Where losses are foreseen on a contract, taking into account only those costs directly attributable to the contract, together with appropriate overhead allocation, these losses are provided in full.

Values stated are net of trade discounts and value added tax.

Research and development
All costs associated with research, engineering, product design and product development are charged to the profit and loss account as incurred.

Goodwill

Goodwill, which represents the excess of the cost of acquisition of the businesses over the fair value attributed to the separately identifiable assets and liabilities acquired, is capitalised and amortised through the profit and loss account in equal instalments over its estimated useful economic life up to a maximum of 20 years.

Goodwill is reviewed for impairment at the end of the first full financial year following each acquisition and subsequently as and when necessary if circumstances emerge that indicate that the carrying value may not be recoverable.

Intangible assets

The costs of standard application software purchased for internal use are capitalised and amortised over their expected useful lives.

Amortisation

Amortisation is calculated so as to write off the cost of an intangible asset, less its estimated residual value, over the useful economic life of that intangible asset as follows:

Goodwill	5% per annum
Software licences	25% to 33% per annum

Tangible fixed assets

Tangible fixed assets are stated at historical cost, subject to depreciation. Computer equipment includes specific customer-related developments which are capitalised and depreciated over their expected useful lives, which may vary, subject to the related customer contract period.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset, as follows:

Fixtures, fittings, tools and equipment	6.6% to 25% per annum
Computer equipment	13% to 33.3% per annum

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow-moving items.

Work in progress

Work in progress represents the value of work done on transition projects, where the benefit is expected to be recognised in future periods.
Staff costs included in the work in progress are based on standard costs which include attributable overheads.

Deferred taxation

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit those earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts, are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations and hire purchase contracts are charged to the profit and loss account over the periods of the leases and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Pensions

The company operates both a defined benefit pension scheme and a defined contribution pension scheme for employees. The defined benefit scheme is available to staff who were employed prior to 1 April 2002 and to certain transfers under the Transfer of Undertakings (Protection of Employment) Regulations 1981 (TUPE). Staff joining the company from 1 April 2002 may join the defined contribution scheme.

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised in the statement of total gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit assets or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits, is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

2 Turnover and segmental analysis

The company's turnover and profit before tax originated principally within the United Kingdom, a single geographic area. The company operates in a single class of business.

3 Other operating income

	2005 £000	2004 £000
Commissions	154	162

4 Operating profit

	2005 £000	2004 £000
This is stated after charging/(crediting):		
Amortisation of goodwill	1,713	1,713
Amortisation of other intangible fixed assets	535	740
Depreciation of owned fixed assets	3,438	2,835
Depreciation of assets held under finance lease agreements	987	1,255
Profit on disposal of fixed assets	(3)	(5)
Auditors' remuneration - as auditors	117	130
Auditors' remuneration - for other services	8	2
Operating lease rentals - other	2,051	2,205
Operating lease rentals - plant and machinery	2,284	3,184
Net loss/(gain) on foreign currency translation	1,017	(825)
Exceptional costs re Hemel Hempstead Oil Depot explosion	1,161	-

5 Integration costs

	2005 £000	2004 £000
Recognised in arriving at operating profit:		
Integration costs	(52)	3,776

As a consequence of the acquisition of the services business from Bull Information Systems Limited in 2002, the company incurred exceptional integration costs amounting to (£52,000) (2004: £3,776,000).

Integration costs related to the consolidation of properties (including datacentres).

6 Directors' emoluments

	2005 £000	2004 £000
The directors' aggregate emoluments in respect of qualifying services were:		
Emoluments	488	488
Company contributions to money purchase pension schemes	45	47
	533	535
Emoluments of highest paid director:		
Total emoluments (excluding pension contributions)	299	283
Value of company pension contributions to money purchase pension schemes	45	47
	344	330
Highest paid director:		
(Estimated comparative figures have been updated with actual values)		
Accrued pension entitlement at the end of the year from defined benefit pension schemes	6	5
Accrued lump sum arising from defined benefit schemes	-	-

Number of directors in company pension schemes:	2005 No.	2004 No.
Money purchase schemes	1	1
Defined benefit schemes	2	2

7 Staff costs

The aggregate payroll costs of the staff employed during the financial year were:

	2005 £000	2004 £000 (restated)
Wages and salaries	49,851	50,624
Social security costs	5,082	4,907
Other pension costs	1,964	4,778
	56,897	60,309

Average number of employees during the year	No.	No.
Production staff	951	1,023
Distribution staff	152	153
Administrative staff	88	100
	1,191	1,276

8 Interest receivable and similar income

	2005 £000	2004 £000 (restated)
Bank interest receivable	79	128
Interest receivable from other group entities	293	365
Other similar income receivable	84	50
Interest on pension scheme	-	174
	456	717

9 Interest payable

	2005 £000	2004 £000 (restated)
Bank loans and overdrafts	86	162
Finance charges on finance leases	632	555
Other similar charges payable	141	75
Interest on pension scheme	633	-
	1,492	792

10 Taxation

	2005 £000	2004 £000 (restated)
Analysis of charge in the year		
Current tax:		
UK corporation tax on profits of the year	1,300	2,505
Adjustments in respect of previous years	-	269
	1,300	2,774
Deferred tax:		
Origination and reversal of timing differences	27	287
Adjustments in respect of previous years	-	(495)
	27	(208)
Movement in deferred tax related to pension schemes	1,253	(202)
Tax on profit on ordinary activities	2,580	2,364

Factors affecting tax charge for the year

The tax assessed on the profit on ordinary activities before tax is higher than the standard rate of corporation tax in the UK of 30% (2004: 30%). The differences are explained below:

	2005 £000	2004 £000 (restated)
Profit on ordinary activities before tax	5,171	6,427
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004: 30%)	1,551	1,928
Effects of:		
Expenses not deductible for tax purposes	998	623
Capital allowances in excess of depreciation	4	(18)
Movement in deferred tax related to pension schemes	(1,253)	202
Movements in short-term timing differences	-	(230)
Adjustments to tax charge in respect of previous periods	-	269
Current tax charge for the year	1,300	2,774

11 Intangible fixed assets

	Goodwill £000	Software licences £000	Total £000
Cost			
At 1 January 2005	34,254	3,041	37,295
Additions	-	256	256
At 31 December 2005	34,254	3,297	37,551
Amortisation			
At 1 January 2005	4,777	2,045	6,822
Charge for the year	1,713	535	2,248
At 31 December 2005	6,490	2,580	9,070
Net book value			
At 31 December 2005	27,764	717	28,481
At 31 December 2004	29,477	996	30,473

12 Tangible fixed assets

	Fixtures, fittings, tools & equipment £000	Computer equipment £000	Total £000
Cost			
At 1 January 2005	3,869	20,403	24,272
Additions	602	4,263	4,865
At 31 December 2005	4,471	24,666	29,137
Depreciation			
At 1 January 2005	2,096	7,420	9,516
Charge for the year	501	3,924	4,425
At 31 December 2005	2,597	11,344	13,941
Net book value			
At 31 December 2005	1,874	13,322	15,196
At 31 December 2004	1,773	12,983	14,756

	2005 £000	2004 £000
Net book value of plant and machinery included above, held under finance leases and hire purchase contracts, amounted to:	4,912	4,734
The depreciation charged to the financial statements in the year in respect of such assets amounted to:	987	1,255

13 Stocks

	2005 £000	2004 £000
Work in progress	991	-
Finished goods and goods for resale	-	1,469
	991	1,469

14 Debtors

	2005 £000	2004 £000
Trade debtors	19,862	16,729
Amounts owed by group undertakings	15,741	32,310
Other debtors	433	296
Prepayments and accrued income	14,984	10,403
Amounts recoverable on long term contracts	11,735	7,068
	62,755	66,806

15 Deferred tax asset

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	2005 £000	2004 £000
Capital allowances in excess of depreciation	(189)	(162)
Other short-term timing differences	55	55
Undiscounted provision for deferred tax	(134)	(107)

The movement in the deferred taxation account during the year was:

	2005 £000	2004 £000
At 1 January	(107)	(315)
Deferred tax credit in the profit and loss account	(27)	208
At 31 December	(134)	(107)

In the opinion of the directors, the above deferred tax asset is more likely than not to be recovered in light of the group's forecast results.

A potential deferred tax asset of £150,000 exists in relation to trading losses carried forward. However, this has not been recognised as there is currently insufficient evidence that this asset is more likely than not to be recovered.

16 Creditors: amounts falling due within one year

	2005 £000	2004 £000
Bank loans (note 18)	117	320
Obligations under finance leases (note 19)	2,138	1,529
Payments on account of long term contracts	3,133	1,586
Trade creditors	18,728	13,800
Amounts owed to group undertakings	133	80
Corporation tax	332	1,199
Other taxation and social security	6,030	7,250
Other creditors	-	320
Accruals and deferred income	28,821	34,875
	59,432	60,959

17 Creditors: amounts falling due after more than one year

	2005 £000	2004 £000
Bank loans (note 18)	315	432
Obligations under finance leases (note 19)	4,131	5,466
	4,446	5,898

18 Loans

	2005 £000	2004 £000
Analysis of maturity of debt:		
Within one year or on demand	117	320
Between one and two years	124	117
Between two and five years	191	315
	432	752

The bank loans are secured on specific future customer contract receivables. Starting in March 2003, repayable over 7 years, at an interest rate of 6.5%.

19 Obligations under finance lease agreements

	2005 £000	2004 £000
Amounts payable:		
Within one year	2,138	1,529
Between two and five years	4,131	5,466
	6,269	6,995

20 Pensions

The company is the Principal Employer for a number of pension schemes.

The major pension schemes with which the company is associated, covering almost 56% of the total employees, are of the defined benefit type. On 31 March 2004, these schemes were modified to preserve past service benefits and provide future service benefits based on career average pensionable pay for the vast majority of employees. The assets of the schemes are held separately from those of the company in trustee administered funds. The pension costs of the schemes are normally charged to the profit and loss account of the company so as to spread these costs over employees' working lives with the company. These costs are determined by qualified actuaries on the basis of formal actuarial valuations using the projected-unit method.

The actuarial valuation assumptions which have the most significant impact on the results of the valuation are those relating to the rate of return on investments and the rate of increases in salaries and pensions, although the rate of salary increase is only relevant to those employees who remain on a final salary basis. For the purpose of assessing the company's contributions to the major schemes, the market-related assumptions used at the most recently completed actuarial valuation, as at 31 March 2004, were as follows:

Investment returns (before retirement)	5.5% per annum
Investment returns (after retirement)	5.5% per annum
General salary increases	3.5% per annum
LPI pension increases	2.4% per annum

The actuarial valuation of the major schemes as at 31 March 2004 showed that the combined market value of the assets was £239,700,000, representing 76% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The actuarial deficit is being addressed by an increase in employer contributions with effect from 1 January 2005. This will result in an increased payment into the plan in 2005 of £6,395,000 compared to 2004.

21 Provisions for liabilities and charges

	Pensions £000	Integration costs £000	Property provisions £000	Other provisions (see below) £000	Total £000
At 1 January 2005 (restated)	-	2,042	5,700	4,121	11,863
Additional provisions made during the year	-	38	100	532	670
Amounts used	-	(1,713)	(1,411)	(2,998)	(6,122)
Amounts reversed unused	-	(45)	(422)	(1,011)	(1,478)
At 31 December 2005	-	322	3,967	644	4,933

	Other £000	TUPE £000	Losses on contracts £000	Legal £000	Total Other provisions £000
At 1 January 2005 (restated)	485	2,398	121	1,117	4,121
Additional provisions made during the year	170	256	48	58	532
Amounts used	(258)	(1,460)	(115)	(1,165)	(2,998)
Amounts reversed unused	(203)	(798)	-	(10)	(1,011)
At 31 December 2005	194	396	54	-	644

Integration costs: These provisions relate to the exceptional costs incurred during the year (see note 5) which remain unpaid as at the year end. It is expected that these costs will be settled within nine months of the year end.

Property provisions: These provisions are to meet dilapidation obligations under property leases and lease commitments relating to unoccupied space. The company is obliged to pay for dilapidations at the end of its tenancy of various properties and provision has been based on the company's estimate of the costs to be incurred on those property leases. The company has also made provision for onerous leases relating to unoccupied space, based on the best estimate of running costs of those vacant properties.

Other: These provisions relate to the additional datacentre rationalisation costs for staff reorganisation and stranded lease costs over and above those mentioned in note 5.

TUPE contract provisions: Under certain outsourcing contracts there is the potential risk of loss at termination as a result of redundancy, if staff cannot be transferred to the subsequent service provider. To the extent that this is foreseen, a provision is made in the financial statements. These provisions are expected to be utilised over the next three years.

Losses on contracts: Under certain contracts, circumstances prevail indicating that a loss will be incurred during the lifetime of those contracts. Accordingly, provision has been made in the year for the estimated amount of those losses, which are expected to materialise within the next two years.

Legal: Provision was made for the settlement and costs relating to the proceedings and judgement in the sum of £732,600, obtained by Peregrine Systems Limited, which has now been settled in the year.

22 Share capital

	2005 £000	2004 £000
Authorised:		
100,000,000 ordinary shares of £1 each	100,000	100,000

Issued:	2005 No.	2004 No.	2005 £000	2004 £000
Allotted, called up and fully paid:				
Ordinary shares of £1 each	1,859,102	1,859,102	1,859	1,859
Allotted, 25% called up and 25% paid:				
Ordinary shares of £1 each	12,400,000	12,400,000	12,400	12,400
			14,259	14,259

23 Reconciliation of shareholders' funds and movement on reserves

	Share capital £000	Share premium account £000	Profit and loss account £000	Total shareholders' funds £000
Balance at 1 January 2004 as previously stated	14,259	25,425	(482)	39,202
Prior year adjustment			(27,944)	(27,944)
Balance at 1 January 2004 as restated	14,259	25,425	(28,426)	11,258
Retained profit for the year	-	-	4,063	4,063
Other recognised gains and losses			(22,544)	(22,544)
Balance at 31 December 2004	14,259	25,425	(46,907)	(7,223)
Retained profit for the year	-	-	2,591	2,591
Other recognised gains and losses			(9,671)	(9,671)
Balance at 31 December 2005	14,259	25,425	(53,987)	(14,303)

24 Capital commitments

	2005 £000	2004 £000
Amounts contracted for but not provided in the financial statements	535	487

25 Pension commitments

As described in note 20, the company is the Principal Employer for a number of pension schemes. The company has implemented FRS 17, "Retirement Benefits", for the first time in 2005. These disclosures reflect the entirety of the schemes, as the amounts relating to other participating employers are deemed not material.

As required, the qualified independent actuary carried out an approximate actuarial assessment of the plans as at 31 December 2005. The major assumptions used by the actuary were:

	31 December 2005 per annum	31 December 2004 per annum	31 December 2003 per annum
Rate of increase in salaries	3.70%	3.50%	3.25%
Rate of increase to pensions in payment	2.70%	2.30%	2.35%
Discount rate	4.90%	5.25%	5.50%
Inflation assumption	2.70%	2.50%	2.25%

The long-term expected rates of return on the assets held at the year end were as follows:-

	31 December 2005 per annum	31 December 2004 per annum	31 December 2003 per annum
Expected rate of return - Equities	8.10%	7.50%	7.60%
Expected rate of return - Unit trusts	6.90%	6.60%	6.60%
Expected rate of return - Fixed interest bonds	4.10%	4.50%	4.60%
Expected rate of return - Index-linked bonds	4.10%	4.50%	4.60%
Expected rate of return - Corporate bonds	4.90%	5.00%	4.90%
Expected rate of return - Property	7.10%	6.50%	6.60%
Expected rate of return - Other (including cash)	4.50%	4.80%	3.75%

The fair value of the assets in the scheme, the present value of the liabilities in the scheme and the expected rate of return at each balance sheet date were:

	2005 £000	2004 £000	2003 £000
Investments			
Equities	185,132	156,857	152,077
Unit trusts	3,509	2,926	2,511
Fixed-interest bonds	23,805	21,990	20,623
Index-linked bonds	32,234	29,729	27,404
Corporate bonds	24,443	22,101	20,607
Property	30,111	20,564	17,606
Others	3,396	4,535	632
Total market value of assets	302,630	258,702	241,460
Present value of scheme liabilities	(389,043)	(335,476)	(285,357)
	(86,413)	(76,774)	(43,897)
Related deferred tax asset	25,924	23,033	13,169
Net pension liability	(60,489)	(53,741)	(30,728)

STERIA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2005

	2005 £000	2004 £000
Analysis of the amount charged to operating profit		
Current service cost	5,155	4,705
Past service cost	-	381
Charge to operating profit	5,155	5,086
Analysis of the amount charged/(credited) to net finance charges		
Expected return on scheme assets	(16,737)	(15,603)
Interest cost on scheme liabilities	17,370	15,429
Net finance charge/(return)	633	(174)

Analysis of the actuarial gain in the statement of total recognised gains and losses

	2005 £000	2005 as percentage of assets/liabilities
Actual return less expected return on scheme assets	(26,336)	(8.7%)
Net experience gains and losses arising on the scheme liabilities	(2,173)	(0.6%)
Changes in assumptions underlying the present value of scheme liabilities	42,324	10.9%
Total actuarial losses recognised in the STRGL	13,815	3.6%

	2004 £000	2004 as percentage of assets/liabilities
Actual return less expected return on scheme assets	(11,901)	(4.6%)
Net experience gains and losses arising on the scheme liabilities	5,599	1.7%
Changes in assumptions underlying the present value of scheme liabilities	38,508	11.5%
Total actuarial losses recognised in the STRGL	32,206	9.6%

Analysis of the movement in the scheme deficit during the year:

	2005 £000	2004 £000
Opening deficit in the scheme	(76,774)	(43,897)
Current service cost	(5,155)	(4,705)
Past service cost	-	(381)
Employer contributions	9,964	4,241
Net finance (charge)/return	(633)	174
Actuarial loss	(13,815)	(32,206)
Closing deficit in the scheme before tax	(86,413)	(76,774)

26 Other financial commitments

At the year end the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2005 £000	Land and buildings 2004 £000	Other 2005 £000	Other 2004 £000
Operating leases which expire:				
within one year	324	435	-	-
between two and five years	30	421	1,424	1,890
in over five years	1,067	1,067	-	-
	1,421	1,923	1,424	1,890

27 Contingent liabilities

Guarantees given by the company in the normal course of business at 31 December 2005 amount to £869,000 (2004: £320,000).
It is not unusual for customers with large contracts, to require some security over Steria's continued ability to provide the contracted service in the future. These are known as performance bonds.

28 Post balance sheet event

On 20th December 2006 the Company issued an additional 37.2 million £1 Ordinary shares at par value fully called up to Steria Holdings Limited. This has the effect to increase the issued share capital of Steria Limited to £51,459,102.

Consideration for these shares is that Steria Holdings Limited has entered into a formal undertaking to pay the full amount, together with the unpaid element of the issued share capital from December 2002, namely £46.5 million, no later than 31 December 2010.

29 Related parties

The company has taken advantage of the exemption granted by paragraph 3(c) of Financial Reporting Standard 8, "Related Party Transactions", not to disclose related party transactions with Groupe Steria SCA companies.

30 Ultimate parent company

The company's ultimate parent and controlling company, and the parent of the largest group for which financial statements are prepared and of which the company is a member, is Groupe Steria SCA, a company incorporated in France. Copies of that company's financial statements can be obtained from Groupe Steria, 12 rue Paul Dautier, 78140 Vélizy-Villacoublay, France.

The immediate controlling entity is Steria Holdings Limited, a company incorporated in Great Britain and registered in England and Wales. Copies of that company's financial statements accounts can be obtained from Steria Holdings Limited, Three Cherry Trees Lane, Hemel Hempstead, Hertfordshire, HP2 7AH.