STERIA LIMITED

FINANCIAL STATEMENTS

31 December 2007

Company Registration Number 2706218

STERIA LIMITED
FINANCIAL STATEMENTS
Year ended 31 December 2007

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STERIA LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

The Board of directors	Mr F Enaud Mr J Torrie Mr L Lemaire Mr D S Ahluwalia Mr J J Moran Ms S C M Dangu
Company secretary	Mr A Whitfield
Registered office	Three Cherry Trees Lane Hemel Hempstead Hertfordshire HP2 7AH
Registered number	2706218
Auditors	Ernst & Young LLP Registered Auditors 400 Capability Green Luton LU1 3LU
Bankers	National Westminster Bank Plc 100 Brentford High Street Brentford Middlesex TW8 8AY

STERIA LIMITED
DIRECTORS' REPORT
Year ended 31 December 2007

The dırectors present theır report and fınancıal statements for the year ended 31 December 2007

Results and dıvıdends
The profit for the year, after taxatıon, ıs £12,444,000 (2006 £9,789,000) The dırectors do not recommend a dıvıdend (2006 £nıl)

Prıncıpal actıvıtıes and revıew of the busıness
The company's prıncıpal actıvıty durıng the year contınued to be the provısıon of IT servıces The company ıs part of the Sterıa group of companıes, whose ultımate parent ıs Groupe Sterıa SCA Sterıa ıs a leadıng IT servıces group and the company ıs therefore able to provıde a global offer coverıng outsourcıng, systems ıntegratıon and consultıng servıces

The performance of the company's key fınancıal and other key performance ındıcators durıng the year were as follows

	2007 £000	2006 £000	Change %
Turnover	208,662	198,322	+5 2%
Total operatıng profit	14,557	13,401	+8 6%
Profit after tax	12,444	9,789	+27 1%
Shareholders' funds	76,687	42,714	+79 5%
Book/bıll ratıo	1 07	1 13	-5 3%
Average number of employees	1,341	1,229	+9 1%

Turnover ıncreased by 5 2% or £10,340,000 as a result of organıc growth durıng the year, of thıs 25% ıs from new contract wıns and the balance ın the year ıs from ıncreased actıvıty on exıstıng customers

Operatıng profit ıncreased by 8 6% or £1,156,000 durıng the year The ımprovement was caused prımarıly by the ıncreased turnover as margıns were maıntaıned at a sımılar level

Profit after tax ıncreased by 27 1% or £2,655,000, partly due to the ıncreased operatıng profit but also due to the ıncrease ın net fiance ıncome ın the year

Shareholders' funds ıncreased substantıally due to retaıned earnıngs, ıncludıng £21,529,000 from the Statement of Recognısed Gaıns and Losses ın respect of actuarıal gaıns on the pensıon scheme

The company's book/bıll ratıo (orders taken ın the year dıvıded by annual turnover) at 1 07 represents a contınuıng strong performance ındıcatıng the potentıal for future growth

The total average number of employees ıncreased by 9 1% durıng the year ın order to support the growth ın the busıness

STERIA LIMITED
DIRECTORS' REPORT
Year ended 31 December 2007

Principal risks and uncertainties
The company operates a continual risk management strategy in order to develop and strengthen the company's internal control systems The principal risks and uncertainties facing the company relate to

- the risk of a downturn in one particular market The company seeks to spread this risk by maintaining a continued presence in a number of different customer markets,

- the activities of competitors The company addresses this risk by the proper evaluation of competitive tenders reflecting financial, performance, quality and customer satisfaction criteria,

- the performance of existing contracts The company manages this risk by optimising operations to successfully manage long-term contracts and implementing relevant quality standards (such as ISO9001) and industry standard processes (such as ITIL and Prince2), and

- our employees The company manages this risk by ensuring that, as an IT services provider, our staff are suitably qualified to provide the services that we offer

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

Future developments
Steria Limited will continue to develop its service offering in line with Steria group objectives

On 17th October 2007 Steria Ltd's ultimate parent, Groupe Steria SCA, acquired all the outstanding share capital of Xansa plc Xansa's main business is the provision of IT and Business Process outsourcing to UK-based customers Although during 2008 the activities of Xansa and Steria Ltd are being operated on a stand alone basis it is expected that with effect from 1st January 2009 they will be operated under common management

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

Mr F Enaud
Mr J Torrie
Mr S Cabannes (resigned 17 September 2007)
Mr L Lemaire (appointed 19 September 2007)
Mr D S Ahluwalia
Mr J J Moran (appointed 13 March 2008)
Ms S C M Dangu (appointed 13 March 2008)

The interests of the Steria 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 directors had any interests in the shares of the company or any group company requiring disclosure under the Companies Act 1985, except for Mr D S Ahluwalia who holds, as nominee for Steria Limited, an interest in one share in each of Steria (Management Plan) Trustees Limited and Steria (Retirement Plan) Trustees Limited

STERIA LIMITED
DIRECTORS' REPORT
Year ended 31 December 2007

Directors' qualifying third party indemnity provisions
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

Political and charitable donations
The company made no political donations during the year but did make charitable donations totalling £15,000 (2006 £5,000)

Disabled employees
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, with reasonable adjustments, where necessary 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

Employees within the UK are entitled, along with all employees in the Steria group, to participate in the shareholding of Groupe Steria SCA through a special governance structure (FCPE Mutual fund) created to ensure employee-shareholder participation in the governance of Steria

Auditors
In accordance with s 385 of the Companies Act 1985, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditor of the company

So far as all the directors are aware, there is no relevant audit information of which the company's auditor is unaware and have taken all steps that ought to have been taken as directors, in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information

Signed by order of the Board of directors

Mr A Whitfield
Company Secretary

Approved by the Board of directors on 28 March 2008

STERIA LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
Year ended 31 December 2007

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to give a true and fair view of the state of affairs of the company 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, subject to any material departures disclosed and explained in the financial statements, 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 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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF STERIA LIMITED

We have audited the company's financial statements for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 29 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' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 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 whether in our opinion the information given in the directors' report is consistent with the financial statements

In addition we report to you if, in our opinion, 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 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Ernst & Young LLP

Ernst & Young LLP
Registered Auditors
Luton
Date 28 March 2007

STERIA LIMITED
PROFIT AND LOSS ACCOUNT
Year ended 31 December 2007

	Notes	2007 £000	2006 £000
Turnover	2	208,662	198,322
Cost of sales		(162,796)	(155,568)
Gross profit		45,866	42,754
Distribution costs		(14,640)	(15,698)
- Ordinary administrative expenses		(15,640)	(13,442)
- Amortisation of goodwill		(1,713)	(1,713)
- Other exceptional costs	6	(934)	29
Total administrative expenses		(18,287)	(15,126)
Other operating Income	3	1,618	1,471
Operating profit	4	14,557	13,401
Net finance income	9	3,408	1,712
Profit on ordinary activities before taxation		17,965	15,113
Tax on profit on ordinary activities	10	(5,521)	(5,324)
Profit on ordinary activities after taxation	22	12,444	9,789

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 2007

	Notes	2007 £000	2006 £000
Profit for the financial year		12,444	9,789
Actuarial gains and losses on pension scheme	25	29,901	14,325
Deferred tax relating to actuarial gains and losses		(8,372)	(4,297)
Other recognised gains and losses related to the year		21,529	10,028
Total recognised gains and losses for the year		33,973	19,817

STERIA LIMITED
BALANCE SHEET
31 December 2007

	Notes		2007 £000		2006 £000
Fixed assets					
Intangible assets	11		25,266		26,844
Tangible assets	12		18,973		17,968
			44,239		44,812
Current assets					
Stocks	13	3,762		3,358	
Debtors					
- Due within 1 year	14	62,169		52,388	
- Due after 1 year	14	46,500		46,500	
Cash at bank and in hand		18,150		12,488	
		130,581		114,734	
Creditors: amounts falling due within one year	15	(70,187)		(63,791)	
Net current assets			60,394		50,943
Total assets less current liabilities			104,633		95,755
Creditors: amounts falling due after more than one year	16		(284)		(2,258)
Provisions for liabilities					
Deferred taxation	19	(220)		(771)	
Other provisions	20	(6,434)		(4,500)	
			(6,654)		(5,271)
Net assets excluding pension assets and liabilities			97,695		88,226
Pension liabilities	25		(21,008)		(45,512)
Net assets including pension assets and liabilities			76,687		42,714
Capital and reserves					
Called up equity share capital	21		51,459		51,459
Share premium account	22		25,425		25,425
Profit and loss account	22		(197)		(34,170)
Equity shareholders' funds	22		76,687		42,714

These financial statements were approved by the Board of Directors on 28 March 2008 and signed on their behalf by

MR D S AHLUWALIA
Director

STERIA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2007

1 Accounting policies

Basis of preparation
The financial statements of Steria Limited were approved for issue by the Board of Directors on

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

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

Revenue is recognised on recurring service contracts on a straight line basis, when this is representative of the stage of completion of an individual contact

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

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

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 is stated at the lower of cost and net realisable value and represents the value of work done on transition projects, where the benefit is expected to be recognised in future periods Staff costs included in work in progress are based on standard costs which include attributable overheads

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transaction or events have occurred at that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned However, no provisions made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold,

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivables,

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

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

Provisions for liabilities

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation

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

In accordance with FRS17 Retirement Benefits, the amounts charged to operating profit for the defined benefit schemes 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

The assets of the defined benefit schemes are held separately from those of the Company, 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 an appropriate AA 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

	2007 £000	2006 £000
Costs recharged to fellow subsidiary companies	1,463	1,316
Commissions earned	105	105
Management fee	50	50
	1,618	1,471

STERIA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2007

4 **Operating profit**	**2007**	**2006**
	£000	**£000**
This is stated after charging/(crediting)		
Amortisation of goodwill (see note 11)	1,713	1,713
Amortisation of other intangible fixed assets (see note 11)	382	204
Depreciation of		
- owned fixed assets (see note 12)	4,746	3,908
- assets held under finance lease agreements (see note 12)	863	923
Profit on disposal of fixed assets	(6)	(3)
Auditors' remuneration (see note 5)	182	153
Operating lease rentals - other	1,464	1,583
Operating lease rentals - plant and machinery	1,693	1,813
Net loss on foreign currency translation	314	211
Exceptional items (see note 6)	934	958

5 **Auditors remuneration**	**2007**	**2006**
	£000	**£000**
The remuneration of the auditors is further analysed as follows		
Audit of the financial statements	155	135
Other fees to auditors		
- local statutory audits for other group companies	5	5
- taxation services	3	6
- other services	19	7
	27	18
	182	153

6 **Exceptional Items**	**2007**	**2006**
	£000	**£000**
Recognised in arriving at operating profit		
Integration costs	-	(383)
Exceptional costs re Buncefield Oil Depot explosion	48	354
Exceptional restructuring costs	886	987
	934	958

During last year some property vacant space provisions previously charged as integration costs were reviewed and excess amounts released, resulting in a net credit in that year of £383,000

Exceptional costs continued to be incurred relating to the Buncefield Oil Depot explosion on 11 December 2005 which caused significant damage to the Hemel Hempstead office, although due to the hard work and commitment of staff the disruption to customers was minimised

Significant restructuring costs of £886,000 (2006 £987,000), principally relating to redundancy costs, were incurred streamlining business operations

STERIA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2007

7 Directors' emoluments

	2007 £000	2006 £000
The directors' aggregate emoluments in respect of qualifying services were		
Emoluments	671	541
Company contributions to money purchase pension schemes	54	44
	725	585
Emoluments of highest paid director		
Total emoluments (excluding pension contributions)	414	327
Value of company pension contributions to money purchase pension schemes	54	44
	468	371
Highest paid director		
Accrued pension entitlement at the end of the year from defined benefit pension schemes	11	8
Accrued lump sum arising from defined benefit schemes	-	-

Number of directors in company pension schemes:	**2007 No.**	**2006 No.**
Money purchase schemes	1	1
Defined benefit schemes	2	2

8 Staff costs

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

	2007 £000	2006 £000
Wages and salaries	56,291	51,074
Social security costs	5,907	5,443
Other pension costs	1,619	5,758
	63,817	62,275

Average number of employees during the year	**No.**	**No**
Project staff	1,126	1,011
Distribution staff	123	132
Administrative staff	92	86
	1,341	1,229

9 Net finance income

	2007 £000	2006 £000
Interest receivable and similar income		
Bank interest receivable	96	60
Interest receivable from other group entities	2,526	87
	2,622	147
Interest payable		
Bank loans and overdrafts	(28)	(37)
Finance charges on finance leases	(242)	(385)
Interest payable to other group entities	(190)	(95)
Other similar charges payable	-	(47)
	(460)	(564)
Other finance income		
Net return on pension scheme (see note 25)	1,246	2,129
Total net finance income	3,408	1,712

10 Taxation

	2007 £000	2006 £000
Analysis of charge in the year		
Current tax		
UK corporation tax on profits of the year	3,472	2,565
Adjustments in respect of previous years	(363)	-
	3,109	2,565
Deferred tax		
Origination and reversal of timing differences	(551)	637
Movement in deferred tax related to pension schemes	2,963	2,122
Tax on profit on ordinary activities	5,521	5,324

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% (2006 30%) The differences are explained below

	2007 £000	2006 £000
Profit on ordinary activities before tax	17,965	15,113
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 30%)	5,390	4,534
Effects of		
Expenses not deductible for tax purposes	770	811
Capital allowances in excess of depreciation	(130)	(638)
Movement in deferred tax related to pension schemes	(1,781)	(2,122)
Group relief claimed for nil consideration	(777)	(20)
Adjustments to tax charge in respect of previous periods	(363)	-
Current tax charge for the year	3,109	2,565

STERIA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2007

11 Intangible fixed assets

	Goodwill £000	Software licences £000	Total £000
Cost			
At 1 January 2007	34,254	3,577	37,831
Additions	-	520	520
Disposals	-	(34)	(34)
At 31 December 2007	34,254	4,063	38,317
Amortisation			
At 1 January 2007	8,203	2,784	10,987
Charge for the year	1,713	382	2,095
On disposals	-	(31)	(31)
At 31 December 2007	9,916	3,135	13,051
Net book value			
At 31 December 2007	24,338	928	25,266
At 31 December 2006	26,051	793	26,844

12 Tangible fixed assets

	Fixtures, fittings, tools & equipment £000	Computer equipment £000	Total £000
Cost			
At 1 January 2007	4,761	31,130	35,891
Additions	788	5,866	6,654
Disposals	(43)	(1,328)	(1,371)
At 31 December 2007	5,506	35,668	41,174
Depreciation			
At 1 January 2007	2 303	15,620	17,923
Charge for the year	552	5,057	5,609
On disposals	(35)	(1,296)	(1,331)
At 31 December 2007	2 820	19,381	22,201
Net book value			
At 31 December 2007	2,686	16,287	18,973
At 31 December 2006	2,458	15,510	17,968

	2007 £000	2006 £000
Net book value of computer equipment included above, held under finance leases and hire purchase contracts, amounted to	2,462	3,133
The depreciation charged to the financial statements in the year in respect of such assets amounted to	863	923

13 Stocks

	2007 £000	2006 £000
Work in progress relating to long term contracts	3,762	3,358

14 Debtors

	2007 £000	2006 £000
Amounts due within 1 year		
Trade debtors	30,577	22,059
Amounts owed by group undertakings	15	390
Other debtors	38	673
Prepayments and accrued income	20,305	14,678
Amounts recoverable on long term contracts	11,234	14,588
	62,169	52,388
Amounts due after 1 year		
Called up share capital not paid	46,500	46,500
	46,500	46,500

15 Creditors: amounts falling due within one year

	2007 £000	2006 £000
Bank loans (see note 17)	132	124
Obligations under finance leases (see note 18)	1,969	1,934
Payments on account of long term contracts	3,103	1,951
Trade creditors	22,588	22,761
Amounts owed to group undertakings	190	51
Corporation tax	1,889	1,417
Other taxation and social security	7,574	6,654
Other creditors	40	206
Accruals and deferred income	32,702	28,693
	70,187	63,791

16 Creditors: amounts falling due after more than one year

	2007 £000	2006 £000
Bank loans (see note 17)	285	260
Obligations under finance leases (see note 18)	(1)	1,998
	284	2,258

17 Loans

	2007 £000	2006 £000
Analysis of maturity of debt		
Within one year or on demand	132	124
Between one and two years	139	132
Between two and five years	146	128
	417	384

The bank loans are secured on specific future customer contract receivables The loans which commenced in March 2003, are repayable over 7 years, at a fixed interest rate of 6 5%

18 Obligations under finance lease agreements

	2007 £000	2006 £000
Amounts payable		
Within one year	1,969	1,934
Between two and five years	(1)	1,998
	1,968	3,932

19 Deferred tax provision

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

	2007 £000	2006 £000
Accelerated capital allowances	291	821
Other short term timing differences	(71)	(50)
Undiscounted provision for deferred tax	220	771

The movement in the deferred taxation account during the year was

	2007 £000	2006 £000
At 1 January	771	134
Deferred tax charge in profit and loss account	(551)	637
At 31 December	220	771

Included in the profit and loss account charge for the current year is £67,000, arising as a result of the substantially enacted change to the UK corporation tax rate effective 6 April 2008 from 30% to 28%

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

20 Provisions for liabilities

	Integration provisions £000	Property provisions £000	Other provisions (see below) £000	Total £000
At 1 January 2007	58	2,433	2,009	4,500
Additional provisions made during the year	-	532	2,106	2,638
Amounts used	(58)	(123)	(200)	(381)
Amounts reversed unused	-	-	(323)	(323)
At 31 December 2007	-	2,842	3,592	6,434

	TUPE £000	Losses on contracts £000	Other £000	Total Other provisions £000
At 1 January 2007	778	101	1,130	2,009
Additional provisions made during the year	441	204	1,461	2,106
Amounts used	(100)	-	(100)	(200)
Amounts reversed unused	-	-	(323)	(323)
At 31 December 2007	1,119	305	2,168	3,592

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

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

Other This provision relates to profit-sharing under a specific customer agreement and for other customer contract related issues It is expected to be utilised within the next three years

STERIA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2007

21 Share capital

	2007 £000	2006 £000
Authorised		
100,000,000 ordinary shares of £1 each	100,000	100,000

Issued Ordinary shares of £1 each	2007 No.	2006 No.	2007 £000	2006 £000
Allotted, called up and fully paid	1,859,102	1,859,102	1,859	1,859
Allotted, called up and 25% paid	12,400,000	12,400,000	12,400	12,400
Allotted and called up and nil paid	37,200,000	37,200,000	37,200	37,200
	51,459,102	51,459,102	51,459	51,459

On 20 December 2006 the company issued an additional 37,200,000 £1 Ordinary shares at par value, fully called up, to Steria Holdings Limited Consideration for these shares is that Steria Holdings Limited has entered into a formal undertaking to pay the full amount of £37,200,000, no later than 31 December 2010 The £9,300,000 unpaid element of the issued share capital from December 2002, has been received on 29 January 2008

22 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 2006	14,259	25,425	(53,987)	(14,303)
Retained profit for the year	-	-	9,789	9,789
Other recognised gains and losses	-	-	10,028	10,028
Equity share capital issued	37,200	-	-	37,200
Balance at 31 December 2006	51,459	25,425	(34,170)	42,714
Retained profit for the year	-	-	12 444	12,444
Other recognised gains and losses	-	-	21 529	21,529
Equity share capital issued	-	-	-	-
Balance at 31 December 2007	51,459	25,425	(197)	76,687

23 Capital commitments

	2007 £000	2006 £000
Amounts contracted for but not provided in the financial statements	1,114	2,652

24 Pension arrangements

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

The major pension schemes with which the company is associated, covering almost 37% 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 charged to the profit and loss account of the company as described in note 1 These costs are determined by qualified actuaries on the basis of formal actuarial valuations using the projected-unit method The scheme is closed to new members ans as such, under the projected unit valuation method, the current service cost is expected to increase as plan members approach retirement

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 has resulted in an increased payment into the plan in 2007 of £6,976,000 (2006 £6,976,000) The contributions in 2008 are estimated to be approximately £11,334,000

25 Pension commitments

As described in note 24, the company is the Principal Employer for a number of pension schemes The company implemented FRS 17, "Retirement Benefits", 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 2007 The major assumptions used by the actuary were

	31 December 2007 per annum	31 December 2006 per annum	31 December 2005 per annum
Rate of increase in salaries	4 15%	3 80%	3 70%
Rate of increase to pensions in payment			
Pre April 2006	3 15%	2 80%	2 70%
Post April 2006	3 15%	2 10%	
Discount rate	5 90%	5 10%	4 90%
Inflation assumption	3 15%	2 80%	2 70%

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

	31 December 2007 per annum	31 December 2006 per annum	31 December 2005 per annum
Expected rate of return - Equities	8 00%	7 80%	8 10%
Expected rate of return - Bonds	4 50%	4 30%	4 34%
Expected rate of return - Property	7 00%	6 80%	7 10%
Expected rate of return - Other (including cash)	7 07%	5 18%	5 72%

The fair value of the assets in the scheme and the present value of the liabilities in the scheme were as follows

	31 December 2007 £000	31 December 2006 £000	31 December 2005 £000
Investments			
Equities	158,774	169,465	185,132
Bonds	130,764	103,085	80,482
Property	43,272	49,406	30,111
Others	24,588	8,465	6,905
Total market value of assets	357,398	330,421	302,630
Present value of scheme liabilities	(386,576)	(395,438)	(389,043)
	(29,178)	(65,017)	(86,413)
Related deferred tax asset	8,170	19,505	25,924
Net pension liability	(21,008)	(45,512)	(60,489)

	2007 £000	2006 £000
Analysis of the amount charged to operating profit		
Current service cost	6,320	5,071
Past service cost	38	-
Charge to operating profit	6,358	5,071
Analysis of the amount credited to net finance charges		
Expected return on scheme assets	(21,305)	(21,169)
Interest cost on scheme liabilities	20,059	19,040
Net finance return	(1,246)	(2,129)

Analysis of the actuarial gain / (loss) in the statement of total recognised gains and losses

	2007 £000	2006 £000	2005 £000	2004 £000
Actual return less expected return on scheme assets	5,934	6,026	26,336	11,901
Net experience (losses)/gain arising on the scheme liabilities	(13,713)	(466)	2,173	(5,599)
Changes in assumptions underlying the present value of scheme liabilities	37,680	8,765	(42,324)	(38,508)
Total actuarial gains/(losses) recognised in the STRGL	29,901	14,325	(13,815)	(32,206)

	2007 %	2006 %	2005 %	2004 %
Actual return less expected return on scheme assets - % of scheme assets	1 66%	1 82%	8 70%	4 60%
Net experience losses arising on the scheme liabilities - % of scheme liabilities	(3 55%)	(0 12%)	0 56%	(1 67%)
Changes in assumptions underlying the present value of scheme liabilities - % of scheme liabilities	9 75%	2 22%	(10 88%)	(11 48%)
Total actuarial gains recognised in the STRGL - % of scheme liabilities	7 73%	3 62%	(3 55%)	(9 60%)

Analysis of the movement in the scheme deficit during the year

	2007 £000	2006 £000
Opening deficit in the scheme	(65,017)	(86,413)
Current service cost	(6,320)	(5,071)
Past service cost	(38)	-
Employer contributions	11,050	10,013
Net finance return	1,246	2,129
Actuarial gain	29,901	14,325
Closing deficit in the scheme before deferred tax	(29,178)	(65,017)

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 2007 £000	Land and buildings 2006 £000	Other 2007 £000	Other 2006 £000
Operating leases which expire				
within one year	41	-	24	-
between two and five years	258	165	1,250	1,362
in over five years	1,124	1,124	-	-
	1,423	1,289	1,274	1,362

27 Contingent liabilities

Guarantees given by the company (by means of performance bonds) in the normal course of business at 31 December 2007 amount to £12,653,000 (2006 £5,438,000)

28 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

29 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 Velizy-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