

Registered number
04077975

Sopra Steria Limited
(formerly Steria Limited)

Report and Accounts
for the year ended
31 December 2014

Registered Office:
Three Cherry Trees Lane
Hemel Hempstead
Hertfordshire
HP2 7AH



Sopra Steria Limited
Report and accounts

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Sopra Steria Limited
Company Information

Directors

Mr J P Torrie
Mr D S Ahluwalia
M. L P C Lemaire
Mr J J Moran
Mme. S C M Dangu

Secretary

Mr P A Cashmore

Auditors

Mazars LLP
Tower Bridge House
St Katharine's Way
London
E1W 1DD

Bankers

Barclays Bank PLC
1 Churchill Place
Canary Wharf
London
E14 5HP

Registered office

Three Cherry Trees Lane
Hemel Hempstead
Hertfordshire
HP2 7AH

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The Directors are pleased to present their Strategic Report for the year ended 31 December 2014.

Principal activities

The principal activities of the Company are the provision of computing, consultancy and business processing outsourcing services.

Sopra Steria delivers IT-enabled business services and is the trusted transformation partner for private and public sector organisations. By combining in-depth understanding of our clients' businesses with expertise in IT and business process outsourcing, we take on our clients' challenges and develop innovative solutions to address them efficiently and profitably. Through our highly collaborative consulting style, we work with our clients to transform their business, enabling them to focus on what they do best.

Review of the business and future developments

The Company's financial key performance indicators reflect its strategy and focus on revenue growth and profitability.

	2014	2013
	£ 000's	£ 000's
Turnover	460,675	442,662
Operating profit before exceptional items and share-based payments	37,248	27,114
Profit before tax	34,701	24,193

The Company generated revenue of £460.7 million in 2014 (2013: £442.7 million). Its profit before tax for the year was £34.7 million, compared to a profit of £24.2 million in the previous year. Included in exceptional items are costs of £0.9 million (year to 31 December 2013: £1.9 million) incurred as a result of restructuring. The Company generated an operating profit of £37.2 million before exceptional items and share-based payments in 2014 compared to an equivalent profit of £27.1 million in 2013. It is encouraging to report both revenue and profit before tax increasing on 2013.

On 31 December 2014, the Company acquired the entire share capital of Sopra Group Holding Limited and on 1 January 2015 the business of Sopra Group Holding Limited and its subsidiaries were transferred to the Company. Following the acquisition, on 8 January 2015, the Company changed its name to Sopra Steria Limited. This acquisition unites the strengths and track record of both businesses and enables us to offer to our clients an even broader range of highly complementary services and a richer portfolio of vertical and horizontal solutions. Our clients can continue to rely on us to help them meet the challenges they face today, and in the future, to provide full, agile, end-to-end business solutions which enable them to take advantage of an increasing digital world.

In the UK public sector, the Company continued to make progress with our landmark joint venture with the Cabinet Office. The joint venture, Shared Services Connected Ltd (SSCL), delivers shared procurement, finance and HR services to UK Government customers including the Department of Work and Pensions, the Department of the Environment and Rural Affairs and the Environment Agency. During the year the client base was expanded to include the Home Office and Ministry of Justice. Sopra Steria has a 75% shareholding in SSCL.

Elsewhere in the public sector, we signed a new five-year contract with Gloucester County Council to invest in a programme of ICT innovation and change. Sopra Steria will transition the council onto a virtualised ICT platform to offer a scalable robust and sustainable solution that is flexible enough for the council's future needs.

In the Business Process Outsourcing (BPO) market we continue to provide Finance and Accounting services to household names such as O2, Whitbread and the BBC.

NHS Shared Business Services Limited (NHS SBS), the company jointly owned by Sopra Steria Limited and the Department of Health, continues to make excellent progress. During the year, the range of services was expanded with the launch of a dedicated recruitment service aimed at helping the NHS recruit the right calibre of people and reducing its time to hire, whilst achieving much-needed efficiency savings. NHS SBS provides Finance and Accounting, Procurement, Employment Services and Primary Care Services to 100% of NHS Commissioners, and around 30% of NHS Providers. In 2014 NHS SBS won the Shared Service Centre of the year in the National Outsourcing Awards.

Sopra Steria's Indian operations form a major element of our delivery capability and almost all of our private sector clients now enjoy the benefits of our offshore facilities. Notwithstanding that, whilst the provision of offshore resources has become necessary to compete in the sector, we see a distinct competitive advantage from the high level of integration between our onshore and offshore delivery model which creates a single and seamless face to our clients.

As a people-based business, we track the level of engagement and satisfaction our employees have with our business. This is a key performance indicator and is measured by our biennial People Survey which is managed externally by the Great Place to Work Institute. The results from the 2013 survey showed an improvement against all five dimensions measured in it (being credibility, respect, fairness, pride and camaraderie).

Principal risks and uncertainties

Our risk management strategy categorises risks into those involving people, clients and liquidity. To mitigate the risk associated with dependence on key individuals, we have a robust succession planning process in place which identifies talent at all levels within the organisation, and ensures that appropriate training and development plans are in place. This process is underpinned by our Competency Framework and the Training Matrix which provides employees with a range of resources to help them develop their skills and capabilities. To ensure a balanced portfolio of clients, our business development focus is on securing new name customers as well as deepening our existing client relationships and expanding the scope of the services we deliver to them. Liquidity risk is managed by forecasting cash flows on a regular basis and liaising with the ultimate parent company to ensure the company is optimally funded.

The value of the deficit in the defined benefit pension schemes increases or reduces year on year, in line with changes in accounting assumptions and the market value of assets in the schemes. Contributions to the schemes are made in accordance with a formal contribution schedule for each scheme which is agreed with the Trustees as part of the triennial valuation process. The next triennial valuations are due to be completed in 2016.

Environmental Sustainability

The Company is committed to environmental sustainability and corporate responsibility. All our major offices now have ISO 14001 certification which represents a key component of our environmental sustainability strategy.

As part of the wider Steria Group in Europe, Steria's commitment to the environment is further evidenced by our achievement in 2014 of a score of 100 for information disclosure and "A" for performance for the second year running produced by The Carbon Disclosure Project. Steria is one of only 29 companies out of 4,700 across the world to have achieved this distinction.

On behalf of the Board

14 April 2015



P A Cashmore
Company Secretary

The Directors are pleased to present their report for the year ended 31 December 2014.

A review of the business and future developments and principal risks and uncertainties are not shown in the Directors Report as the information is included in the Strategic Report under Section 414 (11) of the Companies Act 2006.

Directors

The following persons served as Directors during the year:

Mr J P Torrie
Mr D S Ahluwalia
M. L P C Lemaire
Mr J J Moran
Mme. S C M Dangu

No other person has served as a Director at any time during the year or since.

Dividends

The profit after taxation for the year to 31 December 2014 was £27.8 million (31 December 2013: £18.8 million). No dividends were paid during the year (year ended 31 December 2013: £Nil) and the Directors do not recommend the payment of a final dividend.

Change of Ownership and Post Balance Sheet Events

During the year Sopra Group S.A. acquired a controlling interest in Groupe Steria SCA, the Company's parent company, and the Company thereby became ultimately majority owned by Sopra Group S.A. Following this Sopra Group S.A. changed its name to Sopra Steria Group S.A. and Group Steria SCA changed its name to Groupe Steria S.A.

On 31 December 2014, Groupe Steria S.A. merged into Sopra Steria Group S.A. and the Company became ultimately wholly owned by Sopra Steria Group S.A. from this date.

On 8 January 2015 the registered name of the Company was changed from Steria Limited to Sopra Steria Limited.

Going Concern

The Directors are satisfied that the Company has adequate resources for its foreseeable future needs and for this reason continue to adopt the going concern basis in preparing the financial statements.

Directors' qualifying third party indemnity provisions

The Directors have been granted an indemnity from the Company against liability incurred by them in the discharge of the duties of their office. Neither the Company's indemnity nor insurance provides cover in the event that a Director is proved to have acted fraudulently, in knowing breach of trust or otherwise dishonestly.

The Company has undertaken to indemnify the directors of Steria (Retirement Plan) Trustees Limited, Steria Electricity Supply Pension Trustees Limited, Steria (Pension Plan) Trustees Limited, Steria (Pooled Investments) Trustees Limited and Steria (Management Plan) Trustees Limited under the rules of the relevant legacy Steria pension schemes. These may, to some extent, be qualifying third party indemnity provisions under sections 234 or qualifying pension scheme indemnity provisions under Section 235 of the Companies Act 2006. However, these indemnity provisions do not provide cover in the event that a director is proved to have acted fraudulently or in knowing breach of trust or for costs incurred in defence of application for relief where judgement is given against him, nor will they cover a Director's liabilities to the Company or to an associated company.

The Directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Disabled employees

The Company gives full consideration to applications for employment from disabled persons, where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is Company policy wherever practicable, to provide continuing employment under normal terms and conditions and to provide training, career development and promotion.

Employee involvement

During the year, the policy of providing employees with information about the Steria Group was continued through the use of the intranet and other internal communications available to all employees. Regular meetings are held between local management and employees to allow a free flow of information and ideas. Employees are also encouraged to participate directly in the business by share ownership through Steria's Group Employee Shareholding Programme (GESP). Subscriptions to the GESP were suspended from July 2014 following the offer by Sopra Group S.A. for Group Steria SCA.

Auditors

During the year Ernst & Young LLP resigned as auditors and were replaced by Mazars LLP, who are the auditors of Sopra Steria Group S.A.

On behalf of the Board

14 April 2015

A handwritten signature in black ink, appearing to read 'P A Cashmore'.

P A Cashmore
Company Secretary

Sopra Steria Limited

Statement of Directors' Responsibilities

The Directors' are responsible for preparing the Strategic Report, Directors' Report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare accounts for each financial year. Under that law the Directors have elected to prepare the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the Directors must not approve the accounts unless they are satisfied that they 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 these accounts, 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts comply with the Companies Act 2006. 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 Sopra Steria Limited**

We have audited the financial statements of Sopra Steria Limited for the year ended which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report is made solely to the company's member as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to them in an auditor's 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 member as a body for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.


Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.


David Herbinet (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St Katharine's Way
London

20 April 2015

Sopra Steria Limited
Profit and Loss Account
for the year ended 31 December 2014

	Notes	2014 £ 000's	2013 £ 000's
Turnover	2	460,675	442,662
Operating costs		(425,124)	(417,813)
Other operating income - rental income		1,697	2,265
Share-based payments	4	(320)	(675)
Exceptional items	5	(891)	(1,911)
Operating Profit	3	36,037	24,528
Income from investments		3,250	3,900
Net interest	8	(4,586)	(4,235)
Profit on ordinary activities before taxation		34,701	24,193
Tax on profit on ordinary activities	9	(6,874)	(5,405)
Profit for the financial year		27,827	18,788

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

Sopra Steria Limited

**Statement of total recognised gains and losses
for the year ended 31 December 2014**

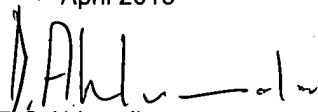
	Notes	2014 £ 000's	2013 £ 000's
Profit for the financial year		27,827	18,788
Actuarial (losses)/gains on pension schemes	20	(22,090)	53,284
Deferred tax credit/(charge) regarding pension contribution excess	20	2,286	(13,105)
Current tax credit regarding pension contribution excess	20	2,133	2,448
Deferred tax charge due to change in rate of tax	20	-	(7,543)
Total recognised gains for the year		<u>10,156</u>	<u>53,872</u>

Sopra Steria Limited
Balance Sheet
as at 31 December 2014

	Notes	2014 £ 000's	2013 £ 000's
Fixed assets			
Intangible assets	10	12,320	14,038
Tangible assets	11	7,067	6,359
Investments	12	105,974	63,222
		<u>125,361</u>	<u>83,619</u>
Current assets			
Stocks	13	1,024	775
Debtors			
- Due within 1 year	14	168,958	181,899
- Due after 1 year	14	152,627	125,781
Cash at bank and in hand		73,834	56,215
		<u>396,443</u>	<u>364,670</u>
Creditors: amounts falling due within one year	15	(135,925)	(136,917)
Net current assets		<u>260,518</u>	<u>227,753</u>
Total assets and net current assets		<u>385,879</u>	<u>311,372</u>
Creditors : amounts falling due after more than one year	16	(40,000)	(30,000)
Provisions for liabilities	18	(15,777)	(13,638)
Net assets excluding pension liabilities		330,102	267,734
Pension liabilities	24	(157,834)	(148,694)
Net assets including pension liabilities		<u>172,268</u>	<u>119,040</u>
Capital and reserves			
Called up share capital	19	63,053	58,150
Share premium	20	205,927	168,078
Profit and loss account	20	(96,712)	(107,188)
Shareholders' funds	20	<u>172,268</u>	<u>119,040</u>

Approved on behalf of the Board of Directors

14 April 2015


D S Ahluwalia
Director

Sopra Steria Limited
Notes to the Accounts
for the year ended 31 December 2014

1 Accounting policies

Basis of preparation

The accounts are prepared on the historical cost basis of accounting and in accordance with applicable accounting standards.

The Company is exempt from preparing group accounts under s400 of the Companies Act 2006 as, at 31 December 2014, its ultimate parent, Sopra Steria Group S.A., prepares and publishes consolidated accounts which include the results of the Company and are publicly available.

These financial statements present information about the Company as an individual undertaking and not as a group.

Cash flow statement

Under the provisions of FRS1, the Company is not required to include a cash flow statement in these accounts. A consolidated cash flow statement is prepared by Sopra Steria Group S.A., and includes the results of this company.

Pre-contract cost

Directly attributable pre-contract costs are written off as incurred.

Dilapidations

The full expected cost of making good dilapidations on leasehold premises at the end of the lease is provided for in the financial statements, discounted to net present value.

Turnover and revenue recognition

Revenue recognition occurs generally when, and to the extent that, the right to consideration is obtained in exchange for its performance. Revenue on time and materials contracts is recognised in line with the effort expended. Revenue on recurring maintenance and support contracts is spread evenly over the term of the contract. Revenue on fixed price contracts is taken in proportion to the cost of work performed on each contract relative to the estimated total costs of completing the contract. Provision is made for the whole of any anticipated losses as soon as they are identified.

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.

Depreciation of tangible fixed assets

Depreciation is provided on all tangible fixed assets so as to write off cost less residual value over their anticipated useful lives at the following annual rates on a straight line basis:

Leasehold improvements	- over the period of the lease
Fixtures, fittings, plant & equipment	- 6.6% - 33%

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

Sopra Steria Limited
Notes to the Accounts
for the year ended 31 December 2014

Share-based payments

The Company operates various share-based award schemes, all of which are equity-settled. The fair value at the date at which the share-based awards are granted is recognised in the profit and loss account on a straight line basis over the vesting period, with a corresponding increase in the shareholders' equity based on an estimate of the number of shares that will eventually vest. The services received from employees are measured by reference to the fair value of the awards granted.

Foreign currencies

Foreign currency assets and liabilities at the balance sheet date are translated at the rates ruling at that date. Transactions denominated in foreign currencies are accounted for at the rate ruling at the date of transaction.

All foreign exchange gains and losses are reflected in the profit and loss account.

Exceptional Items

Exceptional items comprise items of income and expense that are material in amount, unlikely to recur and which merit separate disclosure in order to provide an understanding of the Company's underlying performance. Examples of events giving rise to the disclosure of material items of income and expense as exceptional items include, but are not limited to, impairment events, reorganisation of operations and reassessments of vacant property provisions.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Deferred tax is measured on a non-discounted basis.

Deferred tax assets are recognised when it can be regarded, on the basis of all available evidence, as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Pension costs

The Company operates a number of pension schemes :

The Company participates in four defined benefit pension schemes: The Steria Retirement Plan, The Steria Management Plan, The Steria Electricity Supply Pension Scheme (together the Steria Services Schemes) and the Steria Pension Plan. All of the plans are closed to future accruals, save The Steria Retirement Plan which remains open for employees who transferred their pension arrangements to that plan on joining the Company, or its predecessor in title, from a public sector employer under the Transfer of Undertakings (Protection of Employment) Regulations.

In accordance with FRS17 Retirement Benefits, the amounts charged to operating profit for these 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 within interest. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Sopra Steria Limited
Notes to the Accounts
for the year ended 31 December 2014

Pension costs (continued)

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 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.

In addition the Company makes contributions to the defined contribution Group Personal Pension Plan for those employees who wish to participate. Contributions are charged to the profit and loss account in the period in which they are due.

Research and development

Research and development expenditure is charged to the profit and loss account in the year in which it is incurred.

Borrowing costs

All borrowing costs are recognised in the profit and loss account within interest costs in the year in which they are incurred.

Dividends

Final dividends proposed by the Board of Directors and unpaid at the year-end are not recognised in the financial statements until they have been approved by the shareholders. Interim dividends are recognised when they are paid.

Investments

Investments in subsidiary undertakings and joint ventures are stated at cost less provision for impairment.

Provisions

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. Provisions are discounted to their net present value.

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 depreciated over their useful lives. The capital elements of future obligation under lease and hire purchase contracts are included as liabilities in the balance sheet.

The interest element of the rental obligations and hire purchase contracts are charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Work in progress

Work in progress is stated at the lower of the cost and net realisable value, and represents the value of work done when the benefit is expected to be recognised in future periods.

Debtors

Debtors are stated in the balance sheet at estimated net realisable value. Net realisable value is the invoiced amount less provisions for bad and doubtful debtors. Provisions are made specifically against debtors where there is evidence of a dispute or inability to pay. Debtors are derecognised in part or in full when the contractual rights to the cash flows from the debtor are transferred to a third party and substantially all the risks and rewards of ownership of the debtor are transferred.

Sopra Steria Limited
Notes to the Accounts
for the year ended 31 December 2014

2 Turnover

The Directors consider that the Company operates in one continuing class of business, namely that of the provision of computing and consultancy services. All revenue is derived from the United Kingdom.

3 Operating profit

	2014	2013
	£ 000's	£ 000's
This is stated after charging:		
Amortisation of goodwill	1,718	1,718
Depreciation of owned fixed assets	2,344	2,443
Operating lease rentals - land buildings	5,090	4,038
Operating lease rentals - other operating leases	3,051	3,738
Share-based payments	320	675
Auditors' remuneration		
for audit services	223	217
for other services	15	3

Auditors remuneration is allocated between Mazars LLP £188,000 and Ernst & Young LLP £35,000 respectively.

4 Share-based payments

The Company's share-based payment plans are described in the paragraphs below and were awarded in Groupe Steria SCA shares. Shares granted under these plans usually have a vesting period of 3 or 4 years.

Steria Matching and Partnership Shares (SIP)

The SIP was introduced in August 2008. For the year ended 31 December 2014, Steria set a matching level of one matching share for every two partnership shares purchased. Contributions to the SIP were suspended from July 2014 due to Sopra Group S.A.'s offer for shares in Groupe Steria SCA.

Steria Leverage Scheme

The Leverage scheme offers all employees the opportunity to benefit from the growth in the Groupe Steria SCA share price over a 5-year period. Shares are purchased up front at a discounted price. At the end of the 5-year period the employees receive the higher of a multiple of the average price increase over the non-discounted price or a percentage per annum on their investment.

Steria Free Performance Shares

Certain employees of the Company are offered free performance shares. The key features of the free performance share schemes are as follows:

- Participation is at the approval of the General Manager
- All awards have performance conditions
- In order to receive free performance shares the participant must remain an employee or retiree of the Company for a minimum of four years

The Company's share-based payment arrangements are entirely equity settled and resulted in an expense in the year of £320,000 (year to 31 December 2013: £675,000).

Sopra Steria Limited
Notes to the Accounts
for the year ended 31 December 2014

4 Share-based payments (continued)

Share-based payment transactions that have taken place during the year are as follows:

(a) Steria Matching and Partnership shares

As part of the Steria Matching and Partnership Share Plan, Steria grants matching shares :

	2014 Number	2013 Number
Outstanding at beginning of the year	69,824	57,914
Granted during the year	15,861	32,281
Forfeited during the year	(2,903)	(3,611)
Vested during the year	(13,662)	(16,760)
Reduction in shares following parent company merger	(51,840)	-
Outstanding at end of the year	<u>17,280</u>	<u>69,824</u>

The value of Matching Shares is based on the share price on the date of the award. The weighted average remaining life for matching share was 1.33 years at 31 December 2014 (2013:1.79 years).

(b) Steria Free Performance Shares

Steria offers free performance shares to certain senior employees :

	2014 Number	2013 Number
Outstanding at beginning of the year	87,889	106,034
Granted during the year	17,300	33,500
Forfeited during the year	(24,025)	(37,165)
Vested in the period	(13,137)	(14,480)
Reduction in shares following parent company merger	(50,977)	-
Outstanding at end of the year	<u>17,050</u>	<u>87,889</u>

Free performance shares have a nil acquisition price and are valued on a fair value basis on the date of grant. The fair value of the shares awarded in 2014 was derived using the binomial method. The weighted average remaining life at 31 December 2014 for Steria Free Performance Shares was 2.55 years (31 December 2013: 2.62 years).

On 31 December 2014, outstanding share awards that had been granted in Groupe Steria SCA shares were converted to Sopra Steria Group S.A. shares following the merger of Group Steria S.A. and Sopra Steria Group S.A.

5 Exceptional items

	2014 £ 000's	2013 £ 000's
Restructuring costs	<u>891</u>	<u>1,911</u>

Exceptional items relate to costs incurred in the restructuring and streamlining of business processes.

Sopra Steria Limited
Notes to the Accounts
for the year ended 31 December 2014

6 Directors' emoluments

	2014 £ 000's	2013 £ 000's
Emoluments	1,269	1,324
Company contributions to money purchase pension schemes	42	55
Number of Directors accruing benefits in Company pension schemes:	2014 Number	2013 Number
Money purchase schemes	<u>1</u>	<u>1</u>
In respect of the highest paid Director:	2014 £ 000's	2013 £ 000's
Emoluments	705	725
Accrued pension entitlement at the end of the year from defined benefit pension schemes	18	17

During the year two Directors were granted conditional share awards under long-term incentive plans.

The Directors of the Company are also directors of other Sopra Steria companies in the United Kingdom. The Directors received total remuneration for the year of £1,268,707 (2013: £1,323,827), all of which was paid by the Company. The Directors do not believe that it is practicable to apportion this amount between their services as Directors of the Company and their services as Directors of fellow subsidiary companies.

At the start of the year two Directors had an amount owing to the Company of £51,898. This amount did not attract interest and was repaid during the year.

7 Staff costs

	2014 £ 000's	2013 £ 000's
Wages and salaries	143,030	148,535
Social security costs	16,072	16,786
Other pension costs	20,315	21,315
Share-based payments	320	675
	<u>179,737</u>	<u>187,311</u>
Average number of employees during the year	Number	Number
Average employee numbers	<u>3,076</u>	<u>3,206</u>

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8 Interest	2014 £ 000's	2013 £ 000's
Bank interest received	(200)	(28)
Bank interest paid	-	48
Discount unwind on provisions	309	385
Interest received on inter-company loans	(3,634)	(150)
Interest paid on inter-company loans	2,199	375
Net interest on pension fund liabilities	4,946	3,150
Other interest received	-	(61)
Other interest paid	966	516
	4,586	4,235

9 Taxation	2014 £ 000's	2013 £ 000's
Tax on profit on ordinary activities		
The charge for the year comprises:		
UK Corporation tax - current year	6,990	4,927
Adjustments in respect of prior years	(298)	(682)
	6,692	4,245
Deferred tax:		
Origination and reversal of timing differences	182	1,160
	6,874	5,405

Factors affecting tax charge for period

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK Corporation Tax to the profit before tax is as follows:

	2014 £ 000's	2013 £ 000's
Profit on ordinary activities before tax	34,701	24,193
Standard rate of corporation tax in the UK	21.50%	23.25%
Tax on profit on ordinary activities at standard UK Corporation tax rate for the year of 21.5% (2013 : 23.25%)	7,461	5,625
Effects of:		
Expenses not deductible for tax purposes	211	530
Non-deductible amortisation of goodwill	370	400
Non-taxable inter-company dividend receivable	(699)	(906)
Share-based payments	69	157
Tax incentives relating to research and development	-	(90)
Tax relief on shares transferred to SIP	(47)	(81)
Capital allowances in excess of depreciation	(375)	(708)
Adjustments to tax charge in respect of prior years	(298)	(682)
Current tax charge for period	6,692	4,245

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9 Taxation (continued)

The Finance Act 2013 provides that the main rate of Corporation Tax will fall to 20% with effect from 1 April 2015. As this legislation has been substantially enacted at the balance sheet date the impact of the tax rate reduction on the deferred tax balances carried forward has been included in these accounts.

10 Intangible fixed assets

Goodwill	£ 000's
Cost	
At 1 January 2014 and 31 December 2014	22,625
Amortisation	
At 1 January 2014	8,587
Charge for the year	1,718
At 31 December 2014	<u>10,305</u>
Net book value	
At 31 December 2014	<u>12,320</u>
At 31 December 2013	<u>14,038</u>

11 Tangible fixed assets

	Short leasehold land and buildings £ 000's	Fixture fitting, plant and equipment £ 000's	Total £ 000's
Cost			
At 1 January 2014	9,075	36,774	45,849
Additions	-	3,086	3,086
Disposals	-	(1,629)	(1,629)
At 31 December 2014	<u>9,075</u>	<u>38,231</u>	<u>47,306</u>
Depreciation			
At 1 January 2014	9,045	30,445	39,490
Charge for the year	30	2,314	2,344
On disposals	-	(1,595)	(1,595)
At 31 December 2014	<u>9,075</u>	<u>31,164</u>	<u>40,239</u>
Net book value			
At 31 December 2014	<u>-</u>	<u>7,067</u>	<u>7,067</u>
At 31 December 2013	<u>30</u>	<u>6,329</u>	<u>6,359</u>

12 Investments

	Investment in Subsidiaries £ 000's
Cost	
At 1 January 2014	77,222
Additions	42,752
At 31 December 2014	<u>119,974</u>
Impairment as at 1 January 2014 and 31 December 2014	<u>(14,000)</u>
Net book value at 31 December 2014	<u>105,974</u>
Net book value at 1 January 2014	<u>63,222</u>

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12 Investments (continued)

The principal subsidiary undertakings are as follows:

Company	Country of incorporation	Nature of Business	% of ordinary shares held
Steria Recruitment Limited	England	Staff Recruitment	100%
NHS Shared Business Services Limited	England	Business process outsourcing	50%
Shared Services Connected Ltd	England	Business process outsourcing	75%
Sopra Group Holding Limited	England	Holding company	100%
Sopra Group Limited	England	IT Consultancy and Support	100%

On 31 December 2014 the Company acquired the entire share capital of Sopra Group Holding Limited for a consideration of £42.75 million.

13 Stocks

	2014 £ 000's	2013 £ 000's
Work in progress	<u>1,024</u>	<u>775</u>

14 Debtors

	2014 £ 000's	2013 £ 000's
Amount due within 1 year:		
Trade debtors	30,787	32,824
Other debtors	1,554	1,435
Prepayments and accrued income	5,822	6,892
Amount to be billed to customers	32,669	34,355
Deferred tax asset (Note a)	2,659	2,841
Amount due from fellow subsidiary undertakings	95,161	103,362
Amount due from ultimate parent undertaking	306	190
	<u>168,958</u>	<u>181,899</u>
	2014 £ 000's	2013 £ 000's
Amount due after 1 year:		
Amount due from fellow subsidiary undertakings	<u>152,627</u>	<u>125,781</u>

In December 2013, the Company's ultimate parent company, Groupe Steria SCA, implemented a trade receivable securitisation programme. Managed centrally by Groupe Steria SCA, the programme enabled the Company to transfer on a monthly basis certain trade receivables without recourse. Based on the programme's organisation and structure, substantially all the risks and rewards of ownership of the assets can be transferred and the debtors were therefore deconsolidated. This programme was terminated in 2014.

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14 Debtors (continued)

Note (a) Deferred taxation debtor	£ 000's	£ 000's
At 1 January	2,841	4,001
Deferred tax charge in profit and loss account	(182)	(1,160)
At 31 December	<u>2,659</u>	<u>2,841</u>
	2014	2013
	£ 000's	£ 000's
The closing deferred tax asset comprises :		
Accelerated capital allowances	1,675	1,930
Short-term timing differences	984	911
Deferred tax asset	<u>2,659</u>	<u>2,841</u>
	2014	2013
	£ 000's	£ 000's
Unrecognised deferred tax asset comprises :		
Unutilised tax losses	88	88
	<u>88</u>	<u>88</u>

A potential deferred tax asset of £88,000 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.

15 Creditors: amounts falling due within one year	2014	2013
	£ 000's	£ 000's
Loan	-	1,306
Trade creditors	13,134	12,795
Corporation tax	2,580	743
Other taxes and social security costs	16,606	19,207
Other creditors and accruals	37,196	44,610
Amount due to fellow subsidiary undertakings	50,654	34,285
Amount due to ultimate parent undertaking	275	8,235
Deferred income	15,480	15,736
	<u>135,925</u>	<u>136,917</u>

16 Creditors : amounts falling due after more than one year	2014	2013
	£ 000's	£ 000's
Amount due to ultimate parent undertaking	40,000	30,000
	<u>40,000</u>	<u>30,000</u>

	Land and buildings		Others	
17 Obligations under operating contracts	2014	2013	2014	2013
	£ 000's	£ 000's	£ 000's	£ 000's
Annual commitment on operating leases expiring :				
Within one year	1,372	942	230	541
Within two to five years	1,684	2,785	1,242	2,153
After five years	891	1,391	-	-
Total	<u>3,947</u>	<u>5,118</u>	<u>1,472</u>	<u>2,694</u>

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18 Provisions for liabilities

	Property provisions (see below)	Other provisions (see below)	Total
	£ 000's	£ 000's	£ 000's
At 1 January 2014	7,866	5,772	13,638
Additional provision made during the year	912	3,463	4,375
Impact of decrease in discount rate	109	18	127
Used in the year	(741)	(552)	(1,293)
Amount reversed unused	(647)	(732)	(1,379)
Discount unwind	296	13	309
At 31 December 2014	7,795	7,982	15,777

	Provision for Dilapidations (note a)	Provision for vacant properties (note b)	Total property provisions
	£ 000's	£ 000's	£ 000's
At 1 January 2014	6,568	1,298	7,866
Additional provision made during the year	912	-	912
Impact of decrease in discount rate	99	10	109
Used in the year	(15)	(726)	(741)
Amount reversed unused	(580)	(67)	(647)
Discount unwind	250	46	296
At 31 December 2014	7,234	561	7,795

(a) Provision for dilapidations covers the anticipated costs of leaving leased premises in a fit state on expiration of the lease. The amount of the provision represents the Directors' best estimate of the costs which will be incurred. The Directors anticipate this provision will be used over the period until 2023.

(b) Provision for vacant properties covers the anticipated costs of rent and rates in respect of unoccupied properties and includes amounts in respect of properties which the Company has vacated. The amount of the provision represents the Directors' best estimate of the costs which will be incurred whilst the properties remain vacant, together with expected amount of incentives to be offered to the prospective lessees and is expected to be used by 2017.

(c) Other Provisions include £0.4 million for Permanent Healthcare Insurance (PHI) for employees, and £7.6 million for other contractual related issues. The PHI provision is expected to be used by 2031 and other contractual issues within the next three years.

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19 Share capital	2014	2013	2014	2013
	No. 000's	No. 000's	£ 000's	£ 000's
Allotted, called up and fully paid:				
Ordinary shares of £1 each	63,053	58,150	63,053	58,150

During the year 4,902,752 Ordinary £1 shares were issued for a consideration of £42,752,000

20 Reconciliation of movement in shareholders' funds

	Share Capital	Share Premium	Profit & Loss account	Total
	£ 000's	£ 000's	£ 000's	£ 000's
At 1 January 2014	58,150	168,078	(107,188)	119,040
Profit for the year	-	-	27,827	27,827
Shares issued in the year	4,903	37,849	-	42,752
Share-based payments	-	-	320	320
Actuarial gains on pension schemes	-	-	(22,090)	(22,090)
Current tax credit on pension contribution excess	-	-	2,133	2,133
Deferred tax charge on pension contribution excess	-	-	2,286	2,286
At 31 December 2014	63,053	205,927	(96,712)	172,268

21 Contingent liabilities

Letters of credit and performance bonds of £0.8million (31 December 2013: £1.5 million) have been issued to ensure that customers can recover monies in the event that required levels of performance or obligations are not met.

The Company has given a guarantee in respect of the pension liabilities of a fellow subsidiary. The guarantee is for a maximum amount of £406,000.

As at 31 December 2014, the Company has provided Letters of Support for fellow subsidiaries. The Directors do not anticipate the Letters of Support will have an adverse impact on the future operating costs of the Company.

The Company has entered into guarantees and cross guarantees with Sopra Steria Group S.A. and certain of its subsidiaries in respect of financial obligations arising from the provision of certain banking services to the Company.

As described in Note 12, the Company owns 75% of the shares in Shared Services Connected Ltd. The remaining 25% is owned by the Solicitor for the Affairs of Her Majesty's Treasury, which has a put option under which it can sell its shares to Steria Ltd, between 1 January 2022 and 1 January 2024, at a price to be determined based on the fair market value and profitability of Shared Services Connected Ltd during its previous financial year. The price at which the option could be exercised is currently uncertain.

22 Capital commitments

The Company has capital commitments of £1.3million for plant and machinery and equipment at the end of December 2014 (31 December 2013: £2.7million).

23 Pension arrangements and costs

Defined contribution arrangements

The Company makes contributions to a defined contribution pension scheme, the Steria Group Personal Pension Plan, which is open to all employees who are not active members of the Steria Pension Plan or Steria Services Schemes.

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23 Pension arrangements and costs (continued)

As at 31 December 2014 the amount outstanding in respect of the Company's contribution to the Group's defined contribution schemes was £1,540,279 (December 2013: £1,581,030). Contributions made in respect of the year ended 31 December 2014 were £18,915,711 (year ended 31 December 2013: £19,735,505).

Defined benefit arrangements

The Company also has retirement plans in four defined benefit pension schemes: The Steria Retirement Plan, The Steria Management Plan, The Steria Electricity Supply Pension Scheme (together the Steria Services Schemes) and the Steria Pension Plan. These are approved funded pension schemes. The assets of the plans are held separately from those of the company in trustee-administered funds. The pension costs of the plans 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. With the exception of the Steria Retirement Plan, the plans are closed to new members and as such, under the projected unit valuation method, the current service cost is expected to increase as plan members approach retirement.

Contributions to the defined benefit plans in the year ended 31 December 2014 were £17.0million (year ended 31 December 2013 £17.4million) of which £15.1million (year ended 31 December 2013 £14.8million) represents contributions made to reduce the actuarial deficit. The level of contributions is expected to be approximately £17.8million in the year to 31 December 2015.

The last full actuarial valuation of the Steria Services Schemes was at 31 March 2013 which showed combined scheme assets of £500.3million which represented 82% of the schemes' obligations. The last full actuarial valuation of the Steria Pension Plan was at 31 December 2012 which showed combined Plan assets of £377.8million which represented 81% of the Plans obligations.

24 Pension commitments

As described in Note 23, the Company is the Principal Employer of the Steria Services Schemes and the Steria Pension Plan. The Company implemented FRS 17, "Retirement Benefits", in 2005 and has taken into account any subsequent amendments. These disclosures reflect the entirety of the Steria Service Schemes and the Steria Pension Plan, 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 2014. The major assumptions used by the actuary were:

	31 December 2014	31 December 2013
	per annum	per annum
Rate of increase in salaries	2.97%	3.30%
Rate of increase to pensions in payment	2.65%	2.95%
Discount rate	3.65%	4.60%
CPI Inflation assumption	2.07%	2.40%
RPI Inflation assumption	2.97%	3.30%
Member life expectancy at age 65	22.9 years	22.9 years

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

	31 December 2014	31 December 2013
	per annum	per annum
Expected rate of return - Equities	7.60%	7.60%
Expected rate of return - Government Bonds	2.47%	3.60%
Expected rate of return - Property	6.60%	6.60%
Expected rate of return - Other (including cash)	0.5% to 7.6%	0.5% to 7.6%

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24 Pension commitments (continued)

The fair value of the assets in the Plan and Schemes and the present value of the liabilities in them were as follows:

	31 December 2014 £ 000's	31 December 2013 £ 000's
Investments		
Equities	337,507	309,260
Bonds	554,281	452,112
Property	103,077	85,537
Others	25,526	83,498
Total market value of assets	1,020,391	930,407
Present value of pension scheme liabilities	(1,217,684)	(1,116,274)
	(197,293)	(185,867)
Related deferred tax asset	39,459	37,173
Net pension liability	(157,834)	(148,694)

To develop the expected long-term rate of return on assets assumption, the Company considered the current level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

	2014 £ 000's	2013 £ 000's
Analysis of the amount charged to operating profit		
Current service cost	1,400	1,421
Recognition of past service cost	16	645
Charge to operating profit	1,416	2,066
Analysis of the amount credited to net finance charge		
Expected return on scheme assets	(45,811)	(42,904)
Interest cost on scheme liabilities	50,757	46,054
Net finance cost	4,946	3,150

Analysis of the actuarial gain / (loss) in the statement of total recognised gains and losses	2014 £ 000's	2013 £ 000's	2012 £ 000's	2011 £ 000's	2010 £ 000's
Actual return less expected return on scheme assets	56,534	65,966	20,594	(11,639)	10,822
Changes in assumptions underlying the present value of scheme liabilities	(78,624)	(12,682)	(115,840)	(74,830)	(4,349)
Total actuarial gains/(losses) recognised in the STRGL	(22,090)	53,284	(95,246)	(86,469)	6,473
Actual return less expected return on scheme assets - % of scheme assets	5.54%	7.09%	2.48%	(1.51%)	2.68%
Changes in assumptions underlying the present value of scheme liabilities - % of scheme liabilities	6.46%	1.14%	(10.69%)	7.95%	0.93%
Total actuarial gains recognised in the STRGL - % of scheme liabilities	(1.81%)	4.77%	(8.79%)	(9.19%)	(1.39%)

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24 Pension commitments (continued)

	2014 £ 000's	2013 £ 000's
Analysis of the movement in the deficit during the year		
Opening deficit before deferred tax	(185,867)	(251,419)
Current service cost	(1,400)	(1,421)
Amendments	(16)	(645)
Employer contributions	17,026	17,484
Net finance return	(4,946)	(3,150)
Actuarial (loss)/gain	(22,090)	53,284
Closing deficit before deferred tax	<u>(197,293)</u>	<u>(185,867)</u>
	2014 £ 000's	2013 £ 000's
Analysis of the change in the present value of the plans		
Fair value of assets at beginning of the year	930,407	831,822
Expected return on plan assets	45,811	42,904
Actual less expected return on plan assets	56,534	65,966
Employer's contribution	17,026	17,484
Benefits paid	(29,387)	(27,769)
Fair value of assets at end of the year	<u>1,020,391</u>	<u>930,407</u>
	2014 £ 000's	2013 £ 000's
Analysis of the change in the present value of the liabilities		
Present value of Schemes and Plan liabilities at beginning of the year	1,116,274	1,083,241
Employer's current service cost	1,400	1,421
Interest on pension liabilities	50,757	46,054
Changes in assumptions underlying the plan liabilities	78,624	12,682
Amendments	16	645
Benefits paid	(29,387)	(27,769)
Present value of liabilities at end of the year	<u>1,217,684</u>	<u>1,116,274</u>
	2014 £000	2013 £000
An analysis of the cumulative amounts recognised in the statement of total recognised gains and losses		
Cumulative loss at beginning of the year	(210,643)	(263,927)
Actuarial (loss)/gain	(22,090)	53,284
Cumulative amount recognised at end of the year	<u>(232,733)</u>	<u>(210,643)</u>

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25 Related parties

During the year the Company entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding as at 31 December, are detailed below. The Company also provides the payroll services to NHS Shared Business Services Limited and Shared Services Connected Ltd.

Year to 31 December 2014

	Sales to related parties	Purchases from related party	Amounts owing by related party	Amounts owing to related party
	£000's	£000's	£000's	£000's
NHS Shared Business Services Limited	18,017	1,011	2,471	236
NHS Shared Employee Services Limited	-	-	-	1
Shared Services Connected Ltd	36,839	401	25,850	2,707

In the year ended 31 December 2013 related party transactions were as listed below:

	Sales to related parties	Purchases from related party	Amounts owing by related party	Amounts owing to related party
	£000's	£000's	£000's	£000's
NHS Shared Business Services Limited	26,550	313	1,699	114
NHS Shared Employee Services Limited	-	-	339	-
Shared Services Connected Ltd	3,522	-	4,304	-

Sopra Steria Limited owns 51% of the shares in NHS Shared Employee Services Limited.

Sopra Steria Limited owns 50% of the shares in NHS Shared Business Services Limited.

Sopra Steria Limited owns 75% of the shares in Shared Services Connected Ltd.

Transactions with related parties primarily represent employee related provision of services.

26 Post Balance Sheet Events and Parent Undertaking

The immediate parent company is Sopra Steria Services Limited (formerly Steria Services Limited), a company registered in England.

During the year Sopra Group S.A. acquired a controlling interest in Groupe Steria SCA, the Company's parent company, and the Company thereby became ultimately majority owned by Sopra Group S.A. Following this Sopra Group S.A. changed its name to Sopra Steria Group S.A. and Group Steria SCA changed its name to Groupe Steria S.A.

On 31 December 2014, Groupe Steria S.A. merged into Sopra Steria Group S.A. and the Company became ultimately wholly owned by Sopra Steria Group S.A. from this date.

On 8 January 2015 the registered name of the Company was changed from Steria Limited to Sopra Steria Limited.

Sopra Steria Group S.A. has included the Company and its immediate holding company in its group accounts, copies of which may be obtained from the Investor Relations and Corporate Development Director, Sopra Steria Group S.A., PAE les Glaisins, 74940 Annecy-le-Vieux, France. They are also available on the Sopra Steria Group's website at www.soprasteria.com.