
SOPRA STERIA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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SOPRA STERIA LIMITED

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SOPRA STERIA LIMITED

COMPANY INFORMATION

DIRECTORS

Mr D S Ahluwalia
Ms K M Clark-Bracco
M P-Y Commanay
Mr J J Moran
Mr J P Torrie

COMPANY SECRETARY

Mr P A Cashmore

REGISTERED NUMBER

04077975

REGISTERED OFFICE

Three Cherry Trees Lane
Hemel Hempstead
Hertfordshire
HP2 7AH

INDEPENDENT AUDITOR

Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St Katharine's Way
London
E1W 1DD

BANKERS

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

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017**

INTRODUCTION

The Directors are pleased to present their Strategic Report for the year ended 31 December 2017.

PRINCIPAL ACTIVITY

Sopra Steria is trusted by leading private and public organisations to deliver successful transformation programmes that address their most complex and critical business challenges. Combining high quality and performance services, added-value and innovation, Sopra Steria enables its clients to make the best use of information technology. With over 41,600 employees in more than 20 countries, the Sopra Steria group generated revenue of over €3.8 billion in 2017.

BUSINESS REVIEW

In a challenging year, the Company generated revenue of £445.4 million in 2017 (2016: £524.2 million). Profit before tax for the year was £11.9 million, compared to a profit of £32.8 million in the previous year. Included in exceptional items are costs of £3.0 million (2016: £1.3 million) incurred as a result of ongoing restructuring. The Company generated an operating profit of £16.0 million before exceptional items and share-based payments in 2017 (2016: £32.1 million). The balance sheet has improved significantly, with cash and cash equivalents rising 60% to £97.2 million (2016: £60.8 million) and pension deficit falling 30% to £174.1 million (2016: £249.2 million). This has resulted in an increase in net assets of £54.7 million.

Overall performance has been adversely impacted by significant external and internal factors. A period of political and economic uncertainty has caused many clients and prospects to delay decisions and to redirect funds, dampening forecasts and the new business pipeline. The UK SITS market overall is experiencing significant pressure including smaller deal sizes, foreign exchange and cost inflation burdens, and higher demands from clients to take on risks and accept reductions in fees on renewal. Against this background, the Company has continued to progress a major operational restructure, transitioning its business towards consulting and services that are better aligned to the evolving needs of the market.

The Company's government sector secured significant projects in 2017, including delivering a major and comprehensive migration for the Ministry of Justice of the Criminal Justice System Exchange (CJSE) from on-premises legacy systems to the cloud. The sector also entered new partnerships with the Department for Education and a consultancy project for the Scottish Government's Social Security provision. However, the sector was significantly impacted by political uncertainty and delayed decision making by clients.

The Aerospace, Defence and Security sector achieved several substantial wins, including a multi-million pound contract with Magnox Nuclear to provide core IT services and a significant consulting contract with the Ministry of Defence. The Company sees strong potential in the market for 2018 and onwards.

Efforts to return the commercial sector to growth passed major milestones in 2017, with the team delivering its revenue forecast and budget. This result was achieved through a renewed focus on key accounts, which led to growth with multi-national retailer Tesco, leading multi-brand fashion retailer N Brown and the global low-cost airline, EasyJet. The sector has also secured major new projects with CarpetRight, the retailer, hospital equipment supplier Smith & Nephew and US software company Cherwell.

SOPRA STERIA LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

The financial services sector delivered a flagship project for the Financial Conduct Authority in delivering the Market Data Processor, a massive cloud regulatory platform to process millions of regulatory reports daily. The scope and complexity of the industry-critical platform the Company delivered has provided a significant proof point of its capability, increasing potential for further large-scale work. The Sector has also won a number of breakthrough consulting deals in 2017, supporting the growth strategy for the Sector.

REVIEW OF SUBSIDIARIES

Shared Services Connected Ltd (SSCL), the Company subsidiary owned jointly with the Cabinet Office continued to make strong progress. SSCL delivers shared procurement, finance and HR services to UK Government customers including the Department for Work and Pensions, the Department for Environment, Food and Rural Affairs, the Environment Agency, the Home Office and the Ministry of Justice. In 2017, SSCL completed the full implementation of the Single Operating Platform (SOP), Europe's largest multi-client Shared Service for Government Clients. The business is operating at scale, delivering £162 million revenue per year, exceeding expectations.

NHS Shared Business Services Limited (NHS SBS), the company jointly owned by Sopra Steria Limited and the Department of Health, overcame significant challenges and is well positioned to perform in 2018. The business reached a settlement with NHS England relating to NHS SBS handling of correspondence between 2009 and 2014. The subsidiary significantly improved its productivity, automating 100 roles and is on track to deliver its target of £1.1 billion in savings by 2020.

Our recruitment business Sopra Steria Recruitment Limited (SSR) delivers recruitment services which help organisations in the public and private sectors to enable their business performance and accelerate change. In 2017, SSR launched its Optimum Vendor solution, capable of providing people across all technical and business disciplines, tailored to clients' specific needs, in permanent, contract, interim and managed recruitment across all technical and business disciplines.

In 2017, SSR further cemented its growing presence in the recruitment market by winning the Recruitment Company of the Year over £50 million award at the Association of Professional Staffing Companies (APSCO) Awards for Excellence 2017. This is the second time in succession that the organisation has collected this award. The judges recognised how SSR has continued to raise the bar in the industry in the last 12 months with notable achievements. The business saw growth of 6.2% and delivered revenue of £142.8 million in the year, exceeding expectations.

ENVIRONMENTAL MATTERS

Sopra Steria is committed to using technology and business disciplines to drive environmental sustainability, in our business, in our customers' businesses, and in our supply chain.

We engage our value chain in doing this, and partner with leading environmental organisations to pioneer innovations that reduce environmental impact.

Sopra Steria has been identified as a global leader in the corporate response to climate change and has been awarded a performance score of A by CDP (a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts). Sopra Steria is among the top 5% of companies participating in CDP's climate change programme and is featured on the 2017 Climate A List. This is in recognition of its actions and its strategy to cut emissions, mitigate climate risks and support a transition to a low-carbon economy.

The Company participates in the Group wide Carbon Management Programme obtaining CarbonNeutral® certification for all of our premises (Office Space), Data Centres and business travel. Our energy consumption and greenhouse gas emissions are verified to ISAE3000.

In the UK Sopra Steria manages its environmental impacts using an Environmental Management System (EMS)

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

certified to ISO14001:2015. Our EMS identifies our most significant impacts, sets policy, and establishes objectives, targets and programmes for improving environmental performance. It also requires demonstrable continual improvement.

ISO14001 continually challenges us to improve our performance and encourages us to question how we respond to the environmental issues that our organisation faces, such as pollution, water waste and climate change mitigation.

Sopra Steria Group's approach to its commitment to reducing its environmental footprint is one of continuous improvement, engaging every employee as well as its sustainability specialists.

PRINCIPAL RISKS AND UNCERTAINTIES

Our risk management strategy categorises risks into strategic, operational, compliance and financial instrument risk. The Company has established a risk committee that meets monthly and which evaluates the Company's risk appetite.

To ensure a balanced portfolio of clients, our business development focus is on securing new name customers in addition to our Key Account Focus, which builds closer, higher and wider engagements within existing clients, expanding the scope of the services we deliver to them.

The Company appreciates that the impact on business as a result of the ongoing 'Brexit' negotiations is uncertain and anticipates it is likely to cause delays to the tendering and procuring of contracts in the short to medium term, but should stimulate opportunities in the public sector in the medium to longer term.

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 2020.

Human resources risk

In a services business where certain skills can be rare and clients have changing requirements, human resources risks are naturally critical. The Company's most valuable asset is its people.

Effective hiring, skills and career management, continuity in key roles, and the sharing of the Company's culture and values are core issues that require constant attention. 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 provide employees with a range of resources to help them develop their skills and capabilities.

Contract management

It is critical for the Company to be able to meet client demands and deliver consistent quality.

Depending on the contractual commitments entered into, any failure to provide the services specified in these contracts, or any provision of sub-standard services, may result in a risk for the Company (penalties, client complaints, claims for damages, additional cost, non-payment, early termination of the contracts, reputational damage). In the current environment, clients are increasingly demanding in terms of contractual commitments and guarantees.

For fixed-price contracts, a poor assessment of the scale of the work to be done, an underestimate of the cost of providing the service or an incorrect estimate of the technical solutions to be implemented can lead to estimated costs being exceeded or contractual deadlines not being met. This delay can, in itself, result in late delivery penalties and/or budget overruns.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

The Company has defined organisational structures that perform pre-transaction due diligence and regular monitoring of actual performance allowing for risks of this kind to be assessed and regulated at the early stage of contracts.

Innovation

Today's digital world is changing more rapidly than ever. New ideas and technologies are now being created and released so quickly that it is vital the Company is able to stay at the forefront of the industry and striving for continuous improvement in all areas of activity.

The Company continues to implement cutting edge technologies and methodologies developed in-house and by external providers and partners. The DigiLAB showcases the Company's innovation know-how within a unique venue, connected to a DigiLAB network in France and Europe. This forum for exchanging and sharing information allows us to work in tandem with our clients to anticipate their future needs and co-create the most appropriate solutions.

Legal and regulatory

The Company is subject to regulation primarily under UK legislation. Some services, such as managed services or systems integration provided to clients whose business activity is subject to special regulations such as Financial Services may lead the Company to have to adhere to the contractual obligations linked to these regulations.

The Company is also subject to generally applicable legislation including, but not limited to anti-bribery, consumer protection, data protection and taxation.

The Company seeks to identify and meet its regulatory obligations by maintaining appropriate oversight and reporting, supported by training, to provide assurance that it is compliant with regulatory requirements.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Each new customer is analysed individually for credit-worthiness before the payment and delivery terms and conditions are offered. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval.

A monthly review of the trade debtors' ageing analysis is undertaken and customers' credit is reassessed periodically.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "A" are accepted.

Liquidity risk

Liquidity risk arises from the Company's management of working capital and the finance charges and principal repayments on its debt instruments. There is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Board receives cash flow projections on a monthly basis as well as information regarding cash balances. At the end of the financial year, these projections indicated that the Company is expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances. The Company also seeks to reduce liquidity and interest rate risk by fixing interest rates (and hence cash flows) on its long-term borrowings.

Foreign exchange risk

Foreign exchange risk arises when the Company enters into transactions denominated in a currency other than its functional currency. The Company hedges any significant foreign exchange risk.

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

FINANCIAL KEY PERFORMANCE INDICATORS

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

	2017 £000	2016 £000
Turnover	445,424	524,228
Operating profit before exceptional items and share-based payments	16,013	32,108
Profit before tax	11,884	32,787

OTHER KEY PERFORMANCE INDICATORS

Sopra Steria believes that our diversity is a strength and the different backgrounds, experiences and perspectives within our workforce are rich sources of new ideas and potential innovation. We offer a workplace where employees are valued as individuals, and where people have the opportunity to reach their full potential. In 2017 we became a founding signatory to the TechTalent Charter, a new industry-led initiative to increase the diversity of the technology workforce in the UK.

We are also committed to gender parity in our own business, as well as in our industry. Our latest reports show we remain ahead of the curve; some 33.7% of our UK workforce (and 36% of the UK board) are female, compared to a global technology industry average of just 25%.

CORPORATE SOCIAL RESPONSIBILITY

We believe that long-term value comes from seeing success as a part of a bigger picture, encompassing people, the economy and the environment. By incorporating good principles and a culture of sustainability into all aspects of our business we will create more value for our customers, be a part of more sustainable communities and have more engaged employees.

Real sustainability addresses economic, social and environmental issues including, for example, fair access to opportunities for all, human rights, healthy communities, an engaged workforce, ethical business practices, climate change, and availability of natural resources, balanced with economic growth and profitability.

Sopra Steria's culture is to encourage all employees to get involved in community activities, either those we organise as a company, or initiatives they care about and want to support in their personal lives. Activities range from supporting educational initiatives and schools, mental health and medical research, hospitals and hospices, homelessness, through to nature, animal welfare and more. To help enable them to do this, we offer all employees one day's paid company time to volunteer, we operate a Community Matters week that champions community involvement, and we provide matched funds and enabling grants.

During 2017, more than 139 community related projects and UK registered charities were supported by Sopra Steria employees, with a significant investment from Sopra Steria of over £150 thousand in donations, sponsorship and grants.

In 2017 we introduced our first Volunteer of The Year awards, to recognise, share and celebrate the volunteering and community work our employees take part in across the UK. We had over 130 entries covering more than 3,800 hours of volunteering time by Sopra Steria UK employees. The award was a trip to India to see the fantastic work of the Foundation and visit some of the schools we support and meet with the Sopra Steria scholars.

SOPRA STERIA LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

This report was approved by the Board on *21 September '18* and signed on its behalf.



Mr P A Cashmore
Company Secretary

SOPRA STERIA LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors present their report and the financial statements for the year ended 31 December 2017.

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic Report, the Directors' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Under company law the Directors must not approve the financial statements 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 financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting 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 financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping 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 to enable them to ensure that the financial statements 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.

DIVIDENDS

No dividends were paid during the year (2016: £Nil) and the Directors do not recommend the payment of a final dividend.

DIRECTORS

The Directors who served during the year and to the date of this report were:

Mr D S Ahluwalia
Ms K M Clark-Bracco (appointed 8 December 2017)
M P-Y Commanay (appointed 8 December 2017)
Mme S C M Dangu (resigned 27 September 2017)
Mr J J Moran
Mr J P Torrie

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

FUTURE DEVELOPMENTS

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.

The Directors expect to continue to trade profitably in the coming years.

The Company continues to drive and embed the vision to be the digital transformation and services partner of choice across technology, process and analytics which we will achieve by transforming the performance of our clients through the effective application of digital practices through consultancy, IT and business solutions. This is underpinned by our reputation for delivering in partnership with our clients and commercial innovation.

The Company has a Strategic Account Strategy that is delivering a healthy pipeline of opportunities with current and potential new name clients across all of our market sectors. In 2017, we successfully delivered a number of complex, digital at scale, Business and IT Transformations which serve as reference cases for our digital transformation capabilities.

In 2018 we plan to create more value in our services through continued investment in our consulting offering, IP development and robotics, cognitive & machine learning programmes.

EMPLOYEE INVOLVEMENT

We encourage employee engagement through a number of channels including internal collaboration tools and our intranet to ensure that all employees have access to information about Sopra Steria, its skills, projects and strategic direction.

We have a schedule for monthly cascades, 'town hall events' and face-to-face meetings so employees can hear information first hand, discuss and submit their ideas for improvements or innovation and comment freely about their Company's activities and direction.

Employees are encouraged to participate in a number of external activities where they can benefit others or broaden their knowledge in their particular technical or business field. For example, participation in industry bodies or through mentoring and participation at tech led events. We run a number of innovation challenges and competitions throughout the year encouraging cross-company teams to participate.

The Employee Forum, with employee elected representatives, represents the views of employees and champions the needs of our business, by engaging and consulting with the Sopra Steria management team and employees on company policy and practices.

To encourage employees to participate directly in the Group's future development and performance, a new employee shareholding programme was launched in March 2016 and continues to date.

DIVERSITY

The Company employs people from all parts of the community regardless of age, gender, disability, ethnicity, religious belief or orientation. For those applicants who consider themselves to have a disability the Company ensures adjustments are made where required.

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.

SOPRA STERIA LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

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.

MATTERS COVERED IN THE STRATEGIC REPORT

Details of the Company's financial risk management policies and its exposure to financial instrument risk are included in the strategic report.

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

EVENTS AFTER THE REPORTING PERIOD

On 23 January 2018, the trustees of the Steria Electricity Supply Pension Scheme completed the acquisition of a buy-in policy for £9.4 million which covers both the existing pensioners and deferred members of the scheme.

It should be noted that the Court action which was initiated by the trustees of the Steria Pension Plan in the High Court of Justice to confirm the validity and the effective date of an amendment signed in 2006, for which the Company intervened as "Principal Employer", is moving towards resolution and therefore no further disclosure is made.

AUDITOR

The auditor, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on *21 September 2018* and signed on its behalf.



Mr P A Cashmore
Secretary

SOPRA STERIA LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SOPRA STERIA LIMITED

Opinion

We have audited the financial statements of Sopra Steria Limited (the 'Company') for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of the audit report

This report is made solely to the Company's members 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 members 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 members as a body for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

SOPRA STERIA LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SOPRA STERIA LIMITED (CONTINUED)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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 specific by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 8, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

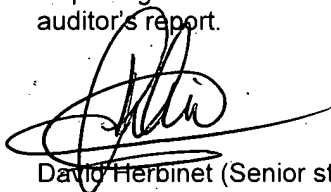
SOPRA STERIA LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SOPRA STERIA LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



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
E1W 1DD

Date: 15 September 2018

SOPRA STERIA LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 £000	2016 £000
Turnover	3	445,424	524,228
Administrative expenses		(429,800)	(492,476)
Other operating income	4	389	356
Share-based payments	5	(880)	(418)
Restructuring costs		(3,045)	(1,252)
OPERATING PROFIT	6	12,088	30,438
Income from shares in group companies	10	5,000	4,500
Interest receivable and similar income	11	5,861	6,834
Interest payable and expenses	12	(4,631)	(4,909)
Other finance costs	13	(6,434)	(4,076)
PROFIT BEFORE TAX		11,884	32,787
Tax on profit	14	(784)	(5,047)
PROFIT FOR THE FINANCIAL YEAR		11,100	27,740
OTHER COMPREHENSIVE INCOME FOR THE YEAR			
Items that may be reclassified to profit or loss			
Cash flow hedges		(72)	-
Deferred tax relating to cash flow hedges		14	-
		(58)	-
Items that will not be reclassified to profit or loss			
Actuarial gains / (losses) on defined benefit pension schemes	29	62,687	(146,570)
Deferred tax (charge) / credit regarding pension contribution excess		(12,770)	22,840
Change in rate of tax		-	(1,148)
Current tax credit regarding pension contribution excess		2,113	2,077
		52,030	(122,801)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		51,972	(122,801)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		63,072	(95,061)

SOPRA STERIA LIMITED
REGISTERED NUMBER:04077975

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

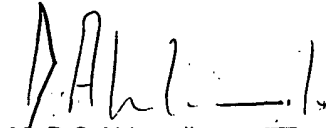
	Note	2017 £000	2016 £000
FIXED ASSETS			
Goodwill	15	49,945	49,945
Other intangible assets	16	578	881
Tangible Fixed Assets	17	5,101	5,774
Investments	18	119,974	119,974
		175,598	176,574
CURRENT ASSETS			
Inventories	19	395	695
Debtors: amounts falling due after more than one year	20	244,627	144,087
Debtors: amounts falling due within one year	20	124,917	281,093
Cash and cash equivalents		97,167	60,754
		467,106	486,629
Creditors: amounts falling due within one year	21	(166,449)	(176,668)
NET CURRENT ASSETS		300,657	309,961
TOTAL ASSETS LESS CURRENT LIABILITIES		476,255	486,535
Creditors: amounts falling due after more than one year	22	(80,715)	(60,712)
		395,540	425,823
Provisions	23	(10,052)	(21,346)
		(10,052)	(21,346)
NET ASSETS EXCLUDING PENSION LIABILITY		385,488	404,477
Pension asset	29	3,768	3,242
Pension liabilities	29	(177,841)	(252,432)
NET ASSETS		211,415	155,287

SOPRA STERIA LIMITED
REGISTERED NUMBER:04077975

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2017

	Note	2017 £000	2016 £000
CAPITAL AND RESERVES			
Called up share capital	25	63,053	63,053
Share premium account		205,927	205,927
Accumulated losses		(57,565)	(113,693)
Shareholder's funds		211,415	155,287

The financial statements were approved and authorised for issue by the board and were signed on its behalf on


 Mr D S Ahluwalia
 Director

21 September 2018

The notes on pages 18 to 50 form part of these financial statements.

SOPRA STERIA LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital (note 25) £000	Share premium account £000	Accumulated losses £000	Total equity £000
At 1 January 2016	63,053	205,927	(19,050)	249,930
COMPREHENSIVE INCOME FOR THE YEAR				
Profit for the year	-	-	27,740	27,740
Actuarial losses on pension scheme	-	-	(146,570)	(146,570)
Deferred tax (charge)/credit regarding pension contribution excess	-	-	22,840	22,840
Change in rate of deferred tax	-	-	(1,148)	(1,148)
Current tax credit regarding pension contribution excess	-	-	2,077	2,077
OTHER COMPREHENSIVE INCOME FOR THE YEAR	-	-	(122,801)	(122,801)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	(95,061)	(95,061)
Share-based payments	-	-	418	418
At 1 January 2017	63,053	205,927	(113,693)	155,287
COMPREHENSIVE INCOME FOR THE YEAR				
Profit for the year	-	-	11,100	11,100
Cash flow hedges	-	-	(72)	(72)
Actuarial gains on pension scheme	-	-	62,687	62,687
Deferred tax regarding cash flow hedges	-	-	14	14
Deferred tax (charge)/credit regarding pension contribution excess	-	-	(12,770)	(12,770)
Current tax credit regarding pension contribution excess	-	-	2,113	2,113
OTHER COMPREHENSIVE INCOME FOR THE YEAR	-	-	51,972	51,972
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	63,072	63,072
Fair value adjustment to group loan	-	-	(7,824)	(7,824)
Share-based payments	-	-	880	880
AT 31 DECEMBER 2017	63,053	205,927	(57,565)	211,415

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006.

The Company's functional and presentational currency is Pounds Sterling and amounts are presented in round thousands (£000).

The recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (EU-endorsed IFRSs) have been applied to the financial statements, except for certain disclosure exemptions detailed below and, where necessary, amendments have been made in order to comply with the Companies Act 2006 and The Large and Medium-sized Companies and Groups Regulations 2008/410 ('Regulations').

The financial statements have been prepared on the historical cost basis, except employee benefits and financial instruments which are measured in terms of IAS 19 'Employee Benefits' and IAS 39 'Financial Instruments: Recognition and Measurement' respectively. The principal accounting policies set out below have been consistently applied to all periods presented.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 2).

The financial statements contain information about the Company as an individual company and do not contain consolidated information as the parent of a group. The Company is exempt from preparing group accounts under s400 of the Companies Act 2006 as at 31 December 2017, its ultimate parent, Sopra Steria Group S.A., prepares and publishes consolidated accounts which include the results of the Company and are publicly available.

The following principal accounting policies have been applied:

SOPRA STERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES (CONTINUED)

1.2 Financial reporting standard 101 - reduced disclosure exemptions

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- certain comparative information as otherwise required by EU-endorsed IFRS;
- certain disclosures regarding the Company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with other wholly owned members of the group headed by Sopra Steria Group S.A.

In addition, and in accordance with FRS 101, further disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements of Sopra Steria Group S.A. These financial statements do not include certain disclosures in respect of:

- Share-based payments;
- Financial Instruments (other than certain disclosures required as a result of recording financial instruments at fair value);
- Fair value measurement (other than certain disclosures required as a result of recording financial instruments at fair value); and
- Impairment of assets.

The financial statements of Sopra Steria Group S.A can be obtained as described in note 32.

New and revised IFRS

The adoption of the following mentioned standards, amendments and interpretations in the current year has not had a material impact on the Company's financial statements:

	EU effective date, periods beginning on or after
Amendment to IAS 7 Statement of Cash Flows: Disclosure initiative	1 January 2017
Amendment to IAS 12 Income Taxes: Recognition of deferred tax assets for unrealised losses	1 January 2017
Annual Improvements to IFRSs (2014 - 2016): Clarification of the scope of IFRS 12 Disclosure of Interests in Other Entities	1 January 2017

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES (CONTINUED)

1.3 Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Strategic Report.

The Company has adequate financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current loan facilities. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully.

The Company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The Company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The Directors, having assessed the responses of the directors of the Company's parent Sopra Steria Group S.A. to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Sopra Steria Group to continue as a going concern or its ability to continue with the current banking arrangements.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES (CONTINUED)

1.4 Revenue (continued)

- the costs incurred and the costs to complete the contract can be measured reliably.

The stage of completion is determined as the proportion of costs incurred (including labour hours) to total costs expected to be incurred.

1.5 Income from investments

Dividends received are included in the Statement of Comprehensive Income in the period in which the related dividends are actually received.

1.6 Goodwill

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued.

When a business combination agreement provides for an adjustment to the cost of the combination which is contingent on future events, the Company includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably. However, if the potential adjustment is not recognised at the acquisition date but subsequently becomes probable and can be measured reliably, the additional consideration shall be treated as an adjustment to the cost of the combination. Changes in the estimated value of contingent consideration arising on business combinations completed as a consequence result in a change in the carrying value of the related goodwill.

Goodwill is capitalised as an intangible asset and is not amortised. Instead it is reviewed annually for impairment with any impairment in carrying value being charged to profit or loss. The Companies Act 2006 requires acquired goodwill to be reduced by provisions for depreciation calculated to write off the amount systematically over a period chosen by the Directors, not exceeding its useful economic life. It has been deemed, however, the non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view. The effect of this departure has not been quantified because it is impractical and, in the opinion of the Directors, would be misleading.

1.7 Intangible assets

Software is included as part of Intangible Assets.

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. The amortisation expense is included within administrative expenses in the Statement of Comprehensive Income.

At each reporting date the Company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined, which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES (CONTINUED)

1.7 Intangible assets (continued)

- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Company is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Company expects to benefit from selling the products developed.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the Statement of Comprehensive Income as incurred.

Intangible assets are amortised on a straight-line basis over their estimated useful lives, the estimated useful lives range as follows:

Software Licenses	1 to 10 years, according to the licence period
Internally developed software	2 to 5 years
Other intangible fixed assets	3 to 10 years

1.8 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

1. ACCOUNTING POLICIES (CONTINUED)

1.8 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the basis of the following estimated useful lives:

Long-term leasehold property	25 to 40 years
Leasehold improvements	5 to 10 years, or over the period of the lease
Plant and machinery	3 to 15 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

1.9 Operating leases: lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.10 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Statement of Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

1.11 Inventories

Inventories are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, inventories are assessed for impairment. If inventories are impaired, the carrying amount is reduced to selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

1.12 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES (CONTINUED)

1.13 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The Company classifies all of its financial assets as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of Comprehensive Income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The Company initially recognises all of its financial liabilities at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Statement of Financial Position.

Financial liabilities at amortised cost include amounts owed to group undertakings and trade creditors.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES (CONTINUED)

1.14 Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

1.15 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.16 Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of Comprehensive Income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of Financial Position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to Statement of Comprehensive Income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Statement of Comprehensive Income is charged with fair value of goods and services received.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES (CONTINUED)

1.17 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

Defined benefit pension plan

The Company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Statement of Financial Position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of plan assets at the reporting date out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the Company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in Pounds Sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest and administrative expenses paid from plan assets, are disclosed as 'Actuarial gains / (losses) on defined benefit pension schemes'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as 'other finance costs'.

1.18 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES (CONTINUED)

1.19 Provisions for liabilities

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. The carrying value is the present value of those cash flows when the effect of the time value of money is material.

When the economic benefits required to settle a provision are expected to be received from a third party, a receivable is recognised as an asset only if it is virtually certain that the reimbursement will be received and the amount can be measured reliably.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefit expected to be received.

Restructurings

A restructuring provision is recognised when the Company has developed a detailed, formal plan for the restructuring and has raised a valid expectation in those affected that the restructuring will be carried out by announcing its main features or starting to implement the plan. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Company.

1.20 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES (CONTINUED)

1.20 Current and deferred taxation (continued)

reporting date.

1.21 Exceptional items

Exceptional items are material non-recurring transactions, either because of their size or their nature, that fall within the ordinary activities of the Company. They are presented separately because the Directors believe that this presentation provides a more helpful analysis of underlying performance.

1.22 Acquisition of trade and assets

Where trade and assets are purchased from a fellow Group undertaking, the net assets acquired are recorded as assets and liabilities of the Company at the carrying value previously shown by the seller. The difference between the purchase price and the carrying value of the net assets acquired is shown as goodwill.

1.23 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements. The main areas of uncertainty and estimation relate to the following:

Defined benefit pension obligations

The valuation of the pension scheme liabilities requires assumptions to be selected, in particular the discount rate used. The Directors take advice from professional advisors in order to ensure that the assumptions selected are justifiable.

Contractual issues

The estimation of the financial effect of contractual issues is inherently uncertain. The Directors have provided for the financial effect based on their knowledge of the contractual position and, where appropriate, after taking legal advice.

Investment valuation

The assessment of the carrying value of investments in subsidiaries requires the Directors to estimate the future profitability of the subsidiary or business concerned.

Long-term fixed price contracts

Certain fixed price contracts span more than one accounting period and can have a duration of several years. The Company's accounting policies for these projects require revenue and costs to be allocated to individual accounting periods and the consequent recognition at period-end of accrued or deferred income for projects still in progress. Management apply judgement in estimating the total revenue and total costs expected on each project. Such estimates are revised as a project progresses to reflect the current status of the project and the latest information available to management. The service teams regularly review contract progress to ensure the latest estimates are appropriate.

Impairment of goodwill

The Company is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. More information on carrying values is included in note 15. Information on the discount rates and key judgements are included in the notes to the financial statements of Sopra Steria Group S.A.

Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 24.

SOPRA STERIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

3. TURNOVER

An analysis of turnover by class of business is as follows:

	2017 £000	2016 £000
Computing, consultancy and business processing outsourcing services	431,873	504,896
Sale of goods	13,551	19,332
	445,424	524,228

Analysis of turnover by country of destination:

	2017 £000	2016 £000
United Kingdom	439,710	511,235
Rest of Europe	5,181	12,480
Rest of the world	533	513
	445,424	524,228

4. OTHER OPERATING INCOME

	2017 £000	2016 £000
Other operating income	389	356
	389	356

SOPRA STERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

5. SHARE-BASED PAYMENTS

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

Matching and Partnership Shares (SIP)

The current SIP was introduced in March 2016. For the year ended 31 December 2017, the Company set a matching level of one matching share for every one partnership share purchased.

Leverage Scheme

The Leverage scheme offers all employees the opportunity to benefit from the growth in the Sopra Steria S.A. (previously Group 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 fixed percentage interest rate per annum on their investment.

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 Group General Management;
- 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 three years.

The Company's share-based payment arrangements are entirely equity-settled and resulted in an expense in the year of £880 thousand (2016: £418 thousand).

6. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2017 £000	2016 £000
Depreciation of tangible fixed assets	1,723	1,935
Amortisation of intangible assets	529	509
Exchange differences	(28)	158
Share-based payments	880	418
Operating lease rentals:		
- Land and buildings	4,378	4,679
- Other operating leases	1,149	1,552

SOPRA STERIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

7. AUDITOR'S REMUNERATION

The Company paid the following amounts to its auditor in respect of the audit of the financial statements and for other services provided to the Company:

	2017 £000	2016 £000
Fees for the audit of the Company	203	197
	203	197

8. EMPLOYEES

Staff costs, including Directors' remuneration, were as follows:

	2017 £000	2016 £000
Wages and salaries	164,387	171,750
Social security costs	18,562	18,633
Cost of defined benefit scheme	1,784	1,535
Cost of defined contribution scheme	21,222	22,037
Share-based payments	880	418
	206,835	214,373

The average monthly number of employees, including the Directors, during the year was as follows:

	2017 No.	2016 No.
Operations	2,994	3,127
Administration	450	457
	3,444	3,584

SOPRA STERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

9. DIRECTORS' REMUNERATION

	2017 £000	2016 £000
Directors' emoluments	1,184	1,285
Company contributions to defined contribution pension schemes	-	46
	<u>1,184</u>	<u>1,331</u>

During the year retirement benefits were accruing to no Directors (2016: 2) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £656 thousand (2016: £715 thousand).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £Nil (2016: £42 thousand).

The total accrued pension provision of the highest paid Director at 31 December 2017 amounted to £18 thousand (2016: £18 thousand).

During the year, 2 Directors (including the highest paid Director) received shares under long-term incentive schemes (2016: 2). The highest paid Director exercised share options to the value of £184 thousand during the year (2016: £Nil).

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 from these companies of £1,183,802 (2016: £1,284,678), 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.

10. INCOME FROM INVESTMENTS

	2017 £000	2016 £000
Dividend received from Sopra Steria Recruitment Limited	5,000	4,500
	<u>5,000</u>	<u>4,500</u>

11. INTEREST RECEIVABLE

	2017 £000	2016 £000
Interest receivable from Group companies	5,675	6,661
Bank and other interest receivable	186	173
	<u>5,861</u>	<u>6,834</u>

SOPRA STERIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

12. INTEREST PAYABLE AND SIMILAR CHARGES

	2017	2016
	£000	£000
Discount unwind on provisions	194	187
Other loan interest payable	86	-
Loans from Group undertakings	3,973	4,050
Other Group interest payable	375	669
Other interest payable	3	3
	<u>4,631</u>	<u>4,909</u>

13. OTHER FINANCE COSTS

	2017	2016
	£000	£000
Interest income on pension scheme assets	32,250	39,891
Interest on defined benefit obligation	(38,684)	(43,967)
Net interest on pension fund liabilities	<u>(6,434)</u>	<u>(4,076)</u>

14. TAXATION

	2017	2016
	£000	£000
CORPORATION TAX		
Current tax on profits for the year	815	4,768
Adjustments in respect of previous periods	(323)	496
Total current tax	<u>492</u>	<u>5,264</u>
Deferred tax		
Deferred tax - current year	334	444
Deferred tax - prior year	(42)	(661)
Total deferred tax	<u>292</u>	<u>(217)</u>
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	<u>784</u>	<u>5,047</u>

SOPRA STERIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

14. TAXATION (CONTINUED)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than (2016: *lower than*) the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are explained below:

	2017	2016
	£000	£000
Profit on ordinary activities before tax	11,884	32,787
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20%)	2,288	6,557
EFFECTS OF:		
Expenses not deductible for tax purposes	406	127
Adjustments to tax charge in respect of prior periods	(365)	(165)
Non-taxable dividend income	(963)	(900)
Share-based payments	169	82
Tax relief on share awards	(252)	-
Tax relief on shares transferred to SIP	(214)	(260)
Rate difference regarding deferred tax	(285)	(394)
TOTAL TAX CHARGE FOR THE YEAR	784	5,047

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The Finance Act 2016 provides that the main rate of corporation tax will fall to 17% with effect from 1 April 2020. As this legislation had been substantively enacted at the end of the reporting period, the impact of this tax rate reduction on the deferred tax balances carried forward has been included in these accounts.

SOPRA STERIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

15. GOODWILL

	2017 £000
COST	
At 1 January 2017	58,532
AT 31 DECEMBER 2017	58,532
AMORTISATION	
At 1 January 2017	8,587
AT 31 DECEMBER 2017	8,587
NET BOOK VALUE	
AT 31 DECEMBER 2017	49,945
<i>At 31 December 2016</i>	49,945

SOPRA STERIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

16. INTANGIBLE ASSETS

	Software licenses £000	Other intangible assets £000	Internally developed software £000	Total £000
COST				
At 1 January 2017	16,610	16	1,362	17,988
Additions - external	225	-	-	225
Disposals	(133)	-	-	(133)
At 31 December 2017	<u>16,702</u>	<u>16</u>	<u>1,362</u>	<u>18,080</u>
AMORTISATION				
At 1 January 2017	16,323	7	777	17,107
Charge for the year	187	1	340	528
On disposals	(133)	-	-	(133)
At 31 December 2017	<u>16,377</u>	<u>8</u>	<u>1,117</u>	<u>17,502</u>
NET BOOK VALUE				
At 31 December 2017	<u>325</u>	<u>8</u>	<u>245</u>	<u>578</u>
At 31 December 2016	<u>287</u>	<u>9</u>	<u>585</u>	<u>881</u>

SOPRA STERIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

17. TANGIBLE FIXED ASSETS

	Long-term leasehold property £000	Leasehold improvements £000	Plant and machinery £000	Total £000
COST				
At 1 January 2017	1,780	4,236	29,895	35,911
Additions	-	-	1,075	1,075
Disposals	-	-	(530)	(530)
At 31 December 2017	1,780	4,236	30,440	36,456
DEPRECIATION				
At 1 January 2017	61	4,236	25,840	30,137
Charge for the year on owned assets	-	-	1,674	1,674
Charge for the year on financed assets	49	-	-	49
Disposals	-	-	(505)	(505)
At 31 December 2017	110	4,236	27,009	31,355
NET BOOK VALUE				
At 31 December 2017	1,670	-	3,431	5,101
At 31 December 2016	1,719	-	4,055	5,774

SOPRA STERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

18. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £000
COST	
At 1 January 2017	121,728
At 31 December 2017	121,728
IMPAIRMENT	
At 1 January 2017	1,754
At 31 December 2017	1,754
NET BOOK VALUE	
At 31 December 2017	119,974
At 31 December 2016	119,974

DIRECT SUBSIDIARY UNDERTAKINGS

The following are subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Sopra Steria Recruitment Limited	Ordinary	100 %	Staff recruitment
NHS Shared Business Services Limited	Ordinary	50 %	Business process outsourcing
Shared Services Connected Ltd	Ordinary	75 %	Business process outsourcing
Sopra Group Holding Ltd	Ordinary	100 %	Holding company
NHS Shared Employee Services Limited	Ordinary	51 %	Dormant
Steria BSP Limited	Ordinary	100 %	Dormant
Steria (Retirement Plan) Trustees Limited	Ordinary	100 %	Corporate trustee
Steria (Pension Plan) Trustees Limited	Ordinary	100 %	Corporate trustee

SOPRA STERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

18. FIXED ASSET INVESTMENTS (CONTINUED)

Steria (Management Plan) Trustees Limited	Ordinary	100 %	Corporate trustee
Steria Electricity Supply Pension Trustees Limited	Ordinary	100 %	Corporate trustee
Steria (Pooled Investments) Trustees Limited	Ordinary	100 %	Corporate trustee

INDIRECT SUBSIDIARY UNDERTAKINGS

The following are indirect subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Sopra Group Limited	Ordinary	100 %	Non-trading

Name	Registered office
Sopra Group Holding Ltd	30 Old Broad Street, London, EC2N 1HT

The registered office address of all other direct subsidiary undertakings is Three Cherry Trees Lane, Hemel Hempstead, Hertfordshire, HP2 7AH.

19. INVENTORIES

	2017 £000	2016 £000
Work in progress	395	695
	<u>395</u>	<u>695</u>

The amount of work recognised as an expense in the year was £301 thousand (2016: £314 thousand).

The difference between purchase price or production cost of stocks and their replacement cost is not material.

SOPRA STERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

20. DEBTORS

	2017 £000	2016 £000
DUE AFTER MORE THAN ONE YEAR		
Amounts owed by group undertakings	210,903	98,905
Deferred tax asset (see note 24)	33,723	45,182
Financial instruments	1	-
	244,627	144,087
	2017 £000	2016 £000
DUE WITHIN ONE YEAR		
Trade debtors	39,080	34,479
Amounts owed by group undertakings	41,165	199,457
Other debtors	2,651	939
Prepayments and accrued income	39,653	46,218
Tax recoverable	2,320	-
Financial instruments	48	-
	124,917	281,093

21. CREDITORS: Amounts falling due within one year

	2017 £000	2016 £000
Trade creditors	10,915	5,503
Amounts owed to Group undertakings	87,685	87,080
Corporation tax	-	1,341
Other taxation and social security	17,448	19,435
Other creditors	10,089	11,687
Accruals and deferred income	40,312	51,622
	166,449	176,668

Of the Amounts owed to Group companies, £48.6 million (2016: £42.8 million) incurs interest at 1.5% above the Bank of England base rate. The remainder is interest-free.

SOPRA STERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

22. CREDITORS: Amounts falling due after more than one year

	2017 £000	2016 £000
Amounts owed to Group undertakings	80,715	60,712
	<u>80,715</u>	<u>60,712</u>

Loan details

£80 million (2016: £60 million) of the Amount owed to Group undertakings is interest bearing at a rate of 5% above the Bank of England base rate and is repayable on 31 October 2020.

23. PROVISIONS

	Dilapidation Provision £000	Vacant Property Provision £000	Other provision £000	Total £000
At 1 January 2017	5,539	377	15,430	21,346
Additions	-	-	1,807	1,807
Reversals	(216)	-	(5,489)	(5,705)
Interest unwind for discount	172	12	11	195
Utilised in year	(91)	(75)	(7,425)	(7,591)
AT 31 DECEMBER 2017	<u>5,404</u>	<u>314</u>	<u>4,334</u>	<u>10,052</u>

(a) Provision for dilapidation covers the estimated costs of returning a leasehold property to its original state on expiration of the lease, or demolition costs at the end of a building's useful life. 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 2055.

(b) Provision for vacant properties covers the anticipated costs of rent and rates in respect of under-occupied properties. The amount of the provision represents the Directors' best estimate of the costs which will be incurred whilst the properties remain under-occupied, together with the expected amount of incentives to be offered to the prospective lessees and is expected to be used by 2021.

(c) Other provisions includes £0.3 million for Permanent Healthcare Insurance (PHI) for employees, £1.7 million relating to other employee issues including reorganisation costs and potential staff costs following recent legislation and £2.3 million for various other contractual issues. The PHI provision is expected to be used by 2031 and the employee and other contractual issues within the next 3 years, although there is much uncertainty relating to the timing and amount of these outflows. The amount of the provision represents the Directors' best estimate of the costs which will be incurred to settle the obligations.

SOPRA STERIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

24: DEFERRED TAXATION

	Accelerated capital allowances £000	Short-term timing differences £000	Imputed interest £000	Pension deficit £000	Total £000
At 1 January 2016	1,418	1,187	-	20,670	23,275
(Charged) / credited to profit or loss	(79)	114	327	(2,077)	(1,715)
Charged to other comprehensive income	-	-	-	22,840	22,840
Reclassified to current tax	-	-	-	2,077	2,077
Effect of change in tax rate in the income statement	(79)	(65)	-	-	(144)
Effect of change in tax rate in other comprehensive income	-	-	-	(1,149)	(1,149)
Other adjustments	(1)	(2)	-	1	(2)
At 31 December 2016	1,259	1,234	327	42,362	45,182

	Accelerated capital allowances £000	Short-term timing differences £000	Imputed interest £000	Pension deficit £000	Total £000
At 1 January 2017	1,259	1,234	327	42,362	45,182
(Charged) / credited to profit or loss	(110)	145	(327)	(2,113)	(2,405)
(Charged) / credited to other comprehensive income	-	-	1,602	(12,770)	(11,168)
Reclassified to current tax	-	-	-	2,113	2,113
Other adjustments	-	1	-	-	1
At 31 December 2017	1,149	1,380	1,602	29,592	33,723

A potential deferred tax asset of £338 thousand (2016: £340 thousand) 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.

SOPRA STERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

25. SHARE CAPITAL

	2017 £000	2016 £000
Authorised		
100,000,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid		
63,052,937 Ordinary shares of £1 each	<u>63,053</u>	<u>63,053</u>

26. EVENTS AFTER THE REPORTING PERIOD

It should be noted that the Court action which was initiated by the trustees of the Steria Pension Plan in the High Court of Justice to confirm the validity and the effective date of an amendment signed in 2006, for which the Company intervened as "Principal Employer", is moving towards resolution.

27. CONTINGENT LIABILITIES

Letters of credit and performance bonds of £2.9 million (2016: £2.8 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 2017, 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 18, 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 the Company 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.

28. CAPITAL COMMITMENTS

The Company has capital commitments of £382 thousand for plant, machinery and equipment at the end of December 2017 (2016: £573 thousand).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

29. PENSION COMMITMENTS

Defined Contribution Plan

The Company makes contributions to a defined contribution pension scheme, the Sopra 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.

As at 31 December 2017 the amount outstanding in respect of the Company's contribution to the Group's defined contribution schemes was £1,762,500 (2016: £2,019,829). Contributions made in respect of the year ended 31 December 2017 were £21,217,328 (2016: £22,037,139).

Defined Benefit Plan

The Company operates a number of Defined Benefit Pension Schemes.

The Company 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 Statement of Comprehensive Income of the Company as described in note 1.17. 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 to future accrual.

Through its defined benefit pension plans, the Company is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility: The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The investment strategies are broadly consistent across the plans with the growth portfolio comprised of equities, property and infrastructure. The plans hold a significant proportion of equities, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term.

As the plans have matured, the Company, in conjunction with the trustees, has been reducing the level of investment risk by investing more in assets that better match the liabilities. Within the matching portfolio, the LDI funds are designed to reduce liability risk (such as exposure to changes in interest rates and inflation).

However, the Company believes that, due to the long-term nature of the plan liabilities, a level of continuing equity investment is an appropriate element of the Company's long-term strategy to manage the plans efficiently.

Interest risk: A decrease in the bond interest rate will increase the plan liability. However, this is mitigated by the LDI portfolio referenced above.

Life expectancy: The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

SOPRA STERIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

29. PENSION COMMITMENTS (CONTINUED)

Reconciliation of present value of plan liabilities:

	2017 £000	2016 £000
At the beginning of the year	(1,465,594)	(1,152,980)
Current service cost	(1,784)	(1,535)
Interest cost	(38,684)	(43,967)
Actuarial losses	(25,091)	(310,220)
Benefits paid	80,696	43,108
At the end of the year	(1,450,457)	(1,465,594)

Reconciliation of fair value of plan assets:

	2017 £000	2016 £000
At the beginning of the year	1,216,404	1,038,143
Return on assets	32,250	39,891
Actuarial gains	87,778	163,650
Contributions	20,648	17,828
Benefits paid	(80,696)	(43,108)
At the end of the year	1,276,384	1,216,404

Composition of plan assets:

	2017 £000	2016 £000
Equities	380,499	389,783
Bonds	602,780	577,988
Property	138,621	118,547
Other	154,484	130,086
Total plan assets	1,276,384	1,216,404

SOPRA STERIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

29. PENSION COMMITMENTS (CONTINUED)

	2017 £000	2016 £000
Fair value of plan assets	1,276,384	1,216,404
Present value of plan liabilities	(1,450,457)	(1,465,594)
Net pension scheme liability	(174,073)	(249,190)
As shown in the Statement of Financial Position		
Pension asset (Steria Electricity Supply Pension Scheme)	3,768	3,242
Pension liabilities	(177,841)	(252,432)
	(174,073)	(249,190)

The amounts recognised in profit or loss are as follows:

	2017 £000	2016 £000
Current service cost	(1,784)	(1,535)
Interest on pension scheme liabilities	(38,684)	(43,967)
Expected return on scheme assets	32,250	39,891
Total	(8,218)	(5,611)
Actual return on scheme assets	125,660	209,504

The cumulative amount of actuarial gains and losses recognised in the Statement of Comprehensive Income was £243,933 thousand (2016: £306,620 thousand).

The Company expects to contribute £23.3 million to its Defined Benefit Pension Schemes in 2018.

	2017 £000	2016 £000
ANALYSIS OF ACTUARIAL GAIN / (LOSS) RECOGNISED IN OTHER COMPREHENSIVE INCOME		
Actual return less interest income included in net interest income	93,410	169,613
Administrative expenses paid from plan assets	(5,632)	(5,963)
Experience gains and losses arising on the scheme liabilities	(5,151)	12,933
Changes in assumptions underlying the present value of the scheme liabilities	(19,940)	(323,153)
	62,687	(146,570)

SOPRA STERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

29. PENSION COMMITMENTS (CONTINUED)

The principal assumptions used by the actuary were:

	2017	2016
Discount rate	2.55 %	2.68 %
CPI inflation assumption	2.11 %	2.19 %
RPI inflation assumption	3.11 %	3.19 %
Other assumptions		
Future salary increases	3.11 %	3.19 %
Member life expectancy at age 65 (male retiring today)	22.7 - 23.5 years	22.5 - 23.4 years
Member life expectancy at age 65 (female retiring today)	24.3 - 25.4 years	24.3 - 25.5 years
Member life expectancy at age 65 (male aged 45 retiring in 20 years)	24.1 - 24.9 years	23.8 - 24.7 years
Member life expectancy at age 65 (female aged 45 retiring in 20 years)	25.9 - 26.9 years	25.8 - 27.0 years

The mortality assumption is based on the S2P generational base tables (2016: S2P tables) with scaling of 92 - 96% for males (2016: 92 - 96%) and 85 - 95% for females (2016: 85 - 95%). Future improvements to life expectancy are based on the CMI 2016 projection model (2016: CMI 2015 model) with a 1.25% long-term improvement rate (2016: 1%).

The estimated weighted average duration of the defined benefit obligation is 19.1 years (2016: 19.7 years).

Sensitivity analysis

The assumptions used by the actuary are best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice. The below tables show how the defined benefit obligation would be affected by reasonably likely changes in the assumptions, ignoring the relationship between variables.

	0.25% increase £000	0.25% decrease £000
Discount rate		
Effect on defined benefit obligation: (Reduction) / increase	(68,353)	73,064
Inflation rate		
Effect on defined benefit obligation: Increase / (reduction)	55,022	(58,898)

SOPRA STERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

30. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £000	2016 £000
Land and buildings		
Not later than 1 year	3,258	3,302
Later than 1 year and not later than 5 years	6,055	8,397
Later than 5 years	17,503	18,356
Total	26,816	30,055
Other Leases		
Not Later than 1 year	1,084	978
Later than 1 year and not later than 5 years	1,489	1,015
Total	2,573	1,993

31. RELATED PARTY TRANSACTIONS

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 2017 are detailed below. The Company also provides the payroll services to NHS Shared Business Services Limited and Shared Services Connected Ltd.

	Interest income £000	Sales to Related Party £000	Purchases from Related Party £000	Amount owing by Related Party £000	Amount owing to Related Party £000
Shared Services Connected Ltd	1,688	66,686	376	54,307	249
NHS Shared Business Services Limited	-	16,555	683	1,278	29
Axway UK Limited	-	-	625	-	162
	1,688	83,241	1,684	55,585	440

SOPRA STERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

In the year ended 31 December 2016 related party transactions were as listed below:

	Interest income £000	Sales to Related Party £000	Purchases from Related Party £000	Amount owing by Related Party £000	Amount owing to Related Party £000
Shared Services Connected Ltd	2,085	92,753	166	53,907	69
NHS Shared Business Services Limited	-	18,273	1,384	1,700	115
Axway UK Limited	-	-	64	-	-
	<u>2,085</u>	<u>111,026</u>	<u>1,614</u>	<u>55,607</u>	<u>184</u>

Sopra Steria Limited and Axway UK Limited have a common ultimate beneficial owner. 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.

32. CONTROLLING PARTY

The Company's immediate holding company is Sopra Steria Services Limited, a company registered in England and Wales.

The Company's ultimate holding company at the end of the reporting period is Sopra Steria Group S.A., a company registered in France and listed on the Euronext stock exchange. 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 Sopra Steria Group S.A., PAE les Glaisins, 74940 Annecy-le-Vieux, France. They are also available on the Sopra Steria Group website at www.soprasteria.com.

The smallest and largest group in which the results of the Company are consolidated is Sopra Steria Group S.A.; a company incorporated in France. In these accounts "Group" refers to the group of companies of which Sopra Steria Group S.A. is the ultimate holding company.