Annual report and accounts 2011

Shaping a sustainable future

be brilliant together

In this document

Engage the ecosystem

Our country and sector leadership positions are based on an ecosystem of over 100 partnerships which help us bring unique value and insight to clients.

See and hear more online:
annualreport.logica.com/our-stories/

Logica in ten

1

We are a leading European **business and technology service company** with top market positions in utilities, in oil and gas and with a strong presence in public services across Europe.

2

Our **41,000 people** operate across our onshore European and global delivery locations, with around 17% in offshore locations.

3

Our balanced profile helped us to increase **revenue to £3.9bn**, despite some challenging markets in 2011 (2010 actual: £3.7bn). **Our adjusted operating profit* was £114m** (2010 actual: £272m).

4

Outsourcing has grown to 45% of revenue* in 2011. The other 55% is spread across Business Consulting, systems integration, professional services and projects.

5

We create value and deliver **sustainable solutions to our clients' biggest business challenges** through the integration of people, business and technology.

6

Our top **50 clients represented 44% of our revenue** in 2011 (2010 actual: 42%). Our clients include three of the top 10 European oil and gas companies; seven of the top 10 listed European utilities; and seven of the top 10 listed European telecoms operators.

7

We have long-term relationships with our clients and have developed and supported applications for many of them for **over 25 years**.

8

We are **deeply embedded across our sectors**, with each of our sectors accounting for between **8% and 29% of revenue***.

9

Our people work daily with the largest public sector organisations and businesses in **24 European countries and 19 countries outside Europe**. In 2011, we added a presence in Spain and LATAM.

10

In 2011 we entered the **Dow Jones Sustainability Index** for the first time, and were recognised as the leading IT services company globally for combined disclosure and performance in the **Carbon Disclosure Project**.

* Unless otherwise stated, underlying numbers for 2011 have been used for ease of comparison. For definition of underlying, adjusted and pro forma numbers, see page 45.

Business review

Clear strategy, but tough decisions

Our strategy remains centred on creating sustainable value by engaging with our clients to drive superior growth; focusing on our most important asset – our people; creating client value through new business models; and delivering value for money for our clients, leading to improved margins for Logica.

1 + 1 = Innovation

Shopping for applications at work should be just as easy as it is at home. That's the concept our latest Global Innovation Venture Partner brings to our clients.

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Dear shareholder

2011 was more difficult than we expected. The decisive action we took will both improve our 2012 business performance and allow us to develop our business for the long term.

As the year began, the good work done in previous years to reduce overhead, increase blended delivery and strengthen our client relationships provided a solid base on which to build. Sustained economic uncertainty in the Eurozone meant that clients were focused on reducing costs via outsourcing. But clients bought fewer professional services which negatively impacted our business in the Benelux and Sweden in particular. And we were left with too many people whose skills no longer matched demand. In December 2011 we took decisive action to ensure our future success.

Despite challenging economic conditions in 2011, strong demand for outsourcing grew our order book to a record £4.6 billion and helped increase revenue to £3.9 billion. We won important new business with clients such as Michelin and the Swedish Pensions Agency. Our French, Northern and Central European and International businesses all experienced growth with good margins. Our investment in Business Consulting paid off in growth and improved client engagement. Outsourcing continued to grow, and our offshore headcount increased by more than 20%.

Adjusted operating profit* was down from £278 million to £114 million. This was in part due to weak performances in the Benelux and Sweden. But it was mainly due to two decisions we took in December. With regret we found it necessary to make 1,300 jobs redundant, because the skills involved were not core to our future strategy. We also chose to take a more pessimistic view of future contract values, in part due to the state of the European economy.

Our key priorities in 2012 are to execute our restructuring swiftly, to return our Benelux business to profitability and to improve our Swedish and UK businesses' performance. We are confident our Outsourcing business will remain very competitive. With a strong order book of business with clients such as Shell and BAE Systems, we are well placed to succeed in 2012. Even in tough economic conditions, we expect our full year adjusted operating margin* to be above 6.5% for 2012.

We understand our clients' businesses and can help them apply technology to reduce costs in an uncertain world. Outsourcing and blended delivery can minimise everyday running costs, allowing maximum investment in key areas such as supply chain management, customer analytics, Business Intelligence and automation. We have competitive strengths in all these areas. We are also investing in shared-service business process platforms, in intelligent energy, card processing, electronic payments and Machine-to-Machine communications, as well as other cloud-based solutions. These will allow clients to benefit from shared costs and faster time to market.

More broadly, the challenges of global environmental sustainability continue, as growth in economies like Asia, Africa and South America put enormous pressure on the world's resources. Business will be at the forefront of enabling this growth, and resolving the issues created by resultant externalities. At Logica, our Sustainability Services business is working with clients to optimise transport systems, create low-carbon cities, roll out electric cars and install smart metering. We continue to receive global recognition for our sustainability work.

Our path to better business sustainability relies on the talents and enthusiasm of our 41,000 people. We will be investing in our people's futures with new career models, skills development and people management training. We will continue to recruit graduates in Europe and in our nearshore and offshore centres.

The decisive action we took in 2011 will both improve our 2012 business performance and allow us to develop our business for the long term. We are well-positioned to create value for our clients, invest in our people's future and generate good returns for our shareholders – on a sustainable basis.

I would like to thank our shareholders, clients and people for their continued support and confidence.

A.S. G

Andy Green
CEO

* Unless otherwise stated, underlying numbers for 2011 have been used for ease of comparison. For definition of underlying, adjusted and pro forma numbers, see page 45.

Our business model

There is demand from clients for an integrated business and technology service. Logica has a distinct competitive advantage. Our service is delivered by innovative people who add value, and is underpinned by strategic resourcing and ongoing cost management to drive margin performance.

How we go to market

Successfully selling a service that combines business and technology requires us to show our clients that we understand the business they are in and the way technology is used and supported in their local culture or their sector.

Across sectors, clients buy a similar core service in either Outsourcing or Professional Services. But client engagement allows us to really help the client to adapt the core service to their needs – whether it be in-depth knowledge of policing and justice in the UK; the understanding of legacy applications in European utilities; the staff to respond to queries in Finnish; or the ability to support an application for which documentation is written in Danish.

The way we run HR processes for a telecoms operator like KPN, with a large number of staff based in the Netherlands but working offsite, is different to the way we deliver to a client with sites located across a number of different countries. There are commonalities, such as managing organisational change and the move to online delivery of HR services, but each company will face some unique challenges. Similarly, running a database for the police (see our case study on page 5 and online) will imply different security requirements to managing sensitive manufacturing and production data for a client.

Clients often want references from another client in their sector, usually from a nearby geography. As we have strengthened our focus on client intimacy, we have become even more convinced of the need to go-to-market by sector and by geography. Our client engagement and the activity of our client directors is coordinated this way too. We explain our clients and our offerings by sector on pages 16 and 17.

Our competitive edge: client intimacy and sector knowledge combined with blended delivery

The longer we work with our clients and the more we get to know their business, their people and how they really use technology on a day-to-day basis, the more insightful and effective our work for them becomes. It's this mix of insider knowledge, our client engagement model and our own expertise and experience that helps us create real value for our clients, as they move to outsource more. See "Our markets" on pages 10 and 11 for a better understanding of why clients move to outsourcing.

The bulk of what we do is in Europe or with European clients working outside of Europe (as you can see from our geographic split of revenue and from our top client list on pages 12 to 17). With new clients, our value lies in our knowledge and experience of different industries. Unlike our smaller rivals, we have the scale to \run a global delivery model, industrialise processes, improve cost efficiency and run parts of clients' businesses for them, for less. Unlike our more global rivals, our global delivery is blended – combining European language capability with the cost efficiency of delivering from global centres (see pages 14 and 15). Our people often become an indispensable part of

What we deliver to clients

There is demand from clients for an integrated business and technology service ›

- Outsourcing, with contracts based on a combination of fixed price, multi-year commitment and fee rate-based work
- Consulting and Professional Services broken down into two areas:
  - Business Consulting and Professional Services, with contracts mainly priced on the basis of fee rates for skills and volumes
  - Systems integration and projects, with contracts mainly based on fixed price, fixed term solutions priced per application and product

...and Logica has a distinct competitive edge because of our... ›

- Client intimacy
- Insider knowledge
- Blended delivery
- Skills and experience
- Long-term client relationships

clients' teams. This gives us a genuine competitive edge. We use our Business Consulting teams to help clients create more value from technology over time.

What we deliver to clients
Our service to clients falls in one of three areas – as shown in the table on page 6.

What is needed to deliver for our clients: our people, our suppliers and our assets
Our people's innovation, thought leadership, productivity and commercial acumen are key to delivering results. Our 41,000 people are our biggest asset. Their salaries and benefits expense, as well as the cost of subcontracted labour, represent our largest single cost. Among our Key Performance Indicators (KPIs) is attrition, which measures the number of our people who voluntarily leave in any given year. A key operational risk is our ability to attract, retain, develop and effectively utilise the skills, commercial experience and performance contribution of our people. We must be able to do this quickly and flexibly with an appropriate balance of onshore, nearshore and offshore resources.

Our resources include not just our own people. Supporting other companies' software (like SAP, Oracle, Microsoft and hundreds of other more specialist applications) is a core part of the work we do for our clients. We may deliver a service to a client that includes elements from other suppliers: software, hardware (often applications are hosted on servers that we may provide to the client) or services (for example, for applications that may be hosted using a public cloud service from a third party provider).

Our material and other external charges are largely spent with suppliers of hardware and software for use by us and by our clients – and the travel costs of getting our people to meetings with clients. No one supplier accounts for more than 10% of these charges. As a result of what we do, our most significant non-people assets are intangibles. These are largely software licences, the costs of development associated with internally-generated software solutions such as our smart metering solutions, our brand names and client relationships – and the historical goodwill associated with building the business through acquisitions (see note 17 on page 114 for details).

How we deliver a service to clients
Delivering efficiently and at the right cost is crucial to retaining business with clients and protecting our margins.

Our service lines – Outsourcing and Business Consulting – ensure that the service we deliver is competitive for our clients. Given the real synergies across geographies, it makes sense to organise these activities globally. It also helps to ensure the expertise and the operations are being located where they are most readily available, most cost effective and most likely to meet client demand. In Outsourcing, this means that we understand the right server and software requirements, how to remotely manage a specific application, or how to manage

After Soham

Logica's vision is to be the security partner of choice in cyber security, security governance, identity and access management, cloud security and Secure by Design. Our work on the Police National Database in the UK shows how technology can change front-line policing.

See and hear more online
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...our service is delivered by people who add value through their...

- Productivity
- Thought leadership
- Innovation
- Commercial acumen

...all underpinned by resourcing and on-going cost management to drive margin performance through...

- Productivity – tools and industrialised processes
- Right people, right skills, right places – recruitment of skills, managing attrition, appropriate onshore/offshore mix
- Managing labour costs – fee rates, utilisation, skills optimisation
- Scale benefits in sales and marketing, truly integrated back office functions and efficient use of real estate

sharing of knowledge and large amounts of data in a big company. Our own internal cost base is therefore set up to deliver in these areas in the most efficient way. In Business Consulting, this means having people organised into clear practices so that, for example, we build a real understanding of what best practice in carbon emissions looks like (as we are doing in our sustainability practice, see page 20). We help businesses gain insight into their end users in a world of social media (this is the focus of our Customer Insight and Business Intelligence practice today). Practices share knowledge and processes which allow us to deliver results quickly for clients. See page 36 for our disclosure of the results of our Outsourcing and Business Consulting service lines.

We are well known for our systems integration and professional services expertise, working in areas like systems architecture and design. Our strength is the way we match up our specialist teams to meet specific needs for our clients. We can pull together a mix of industry and technical experts, and specialists in particular fields like Finance, HR or Customer Relationship Management from across countries. In this area, most of the people who support our clients do so from the clients' home country. Our geographical organisation helps us keep close to clients, sell more directly and deliver systems integration and project work more efficiently. It also allows us to manage, recruit and reward our people more effectively.

How we organise to deliver

The structure of our Executive Committee (see page 50) reflects a client-facing, go-to-market approach organised by sector and geography, with service lines responsible for the efficiencies needed in delivery to clients. Central functions are best-placed to design, procure, manage and control our resources and business systems.

Our financial model

Much of our revenue comes from recurring business, secured by long-term or repeat contracts. Some of our top clients have been with us for over 25 years. We focus on growing alongside our existing clients and on winning new clients with our industry insight. Improving our margins going forward is inextricably linked to the value we create for clients.

How we contract with clients

Larger outsourcing deals are based around running a client's applications and/or infrastructure for them. Their main

Delivering a service to clients

	Outsourcing	Consulting and Professional Services	
What our clients buy	**Outsourcing:** We deliver an end-to-end service across Applications Management (AM), Infrastructure Management (IM) and Business Process Outsourcing (BPO). Our delivery is based on combining our strengths as a vendor-independent systems integrator, our technology partnerships (with leading applications providers like Microsoft, Oracle and SAP) and a blended delivery model. We combine onsite, onshore, nearshore and offshore resources to deliver an efficient and cost-effective blend to clients in English and non-English speaking countries. Outsourcing represented 45% of revenue in 2011.	**Business Consulting:** Clients ask for consulting advice to help transform operations, shape and implement change and evolve IT systems and services to meet business demands. Our thought leadership is an essential part of the overall service we offer clients, driving revenue in other parts of the business as well. Our four practices are: Applied Business Insight, Future IT, Sustainability Services and Business Change and Transformation. 12% of revenue comes from Business Consulting.	**Systems integration, professional services and projects:** Integrating business and technology has been a core competence since we started serving clients over 40 years ago. We are vendor-independent and have strong sector and technology knowledge. Our people help clients adapt packaged systems, modify existing systems and design new systems. 43% of our revenue comes from these areas.
How we organise to deliver	The Outsourcing service line coordinates expertise and delivery	The Business Consulting service line coordinates expertise and delivery	Direct management in country, coordinated centrally

objective is usually cost reduction. Contracts are usually made up of different elements, with some component of the contract at a fixed price – whether per user, per call/ticket or per application. To manage standard applications like SAP, it tends to be per user. For custom-built applications, it tends to be per application. A further element of the work is generally on a basis where we charge for 'time and materials' or at a fee rate. Charging a fixed price encourages our clients to think about how many applications they can really afford to own. Often, they end up choosing to reduce the number of applications.

In Consulting and Professional Services, some of our consultants work in specialist groups, while others work in industry-specific teams on systems integration and development projects. This could be for a few days – or for a more prolonged period, depending on what the client needs. Business Consulting services are usually based on a fee rate, as technology consulting often is too. Systems integration, architecture and design is more often done on a project basis, where we charge a fixed price. Revenue here is more cyclical, because it's more linked to changes in the economy or technology. Clients may stop some project-based work in a downturn. But it's also the part of our business where orders are often converted more quickly into revenue, because they are shorter-term in nature. So we need to make sure we manage all our resources effectively to be ready to adapt as demand changes.

It's what you do with them

As the number of satellite applications continues to grow, so does the wider value those satellites can deliver. After all, without applications bringing benefit on earth, satellites are just expensive orbiting hardware. Logica is helping to deliver some of the latest solutions space can offer.

See and hear more online:
annualreport.logica.com/our-stories/

Our people

In 2011 we continued to see a high level of commitment from the more than 41,000 people we employed. During the year, we attracted 6,500 new talented individuals to Logica – both onshore and in our offshore centres in India, the Philippines and Morocco. India grew by 22% and we employed 5,000 there at the end of 2011.

We successfully implemented our plans to increase our offshore blend and to balance our junior and more experienced people in the business. But we failed to improve utilisation in key markets like the Benelux and Sweden in a tougher economic climate, and to redeploy resource onshore in Infrastructure Management in places like Sweden and the UK as we moved more work offshore – sadly forcing us to announce plans to restructure 1,300 jobs. While there will continue to be an ongoing level of restructuring needed in our business, we aim to use rigorous performance management and continued investment in training and developing our people to minimise future restructuring. This will bring real benefits to people, clients and shareholders.

Our people value the investment we put into fostering innovation and investing in thought leadership, technology skills and commercial acumen. This investment allows them to deliver the best results for clients. It creates an environment that enables them to flourish. The essence of our Employee Value Proposition is to encourage our people to "shape the future for our clients and ourselves".

Our people strategy is aimed at making this commitment a reality. It will mitigate operational risks around attrition and employee engagement and satisfaction and will help us recruit.

Our people management and investments are broadly grouped into four areas:

Shaping the future
is about engaging with our people, making sure they understand the role they play in our strategy and working with our clients – and focusing their passion and commitment to the Logica values while strengthening the Logica brand:

- we continued to leverage the latest technologies to allow our people to work flexibly. In the UK, our people have 'smart worked' since 2008. This practice is being or will be rolled out to the Netherlands, France, Finland, Germany, Sweden and the US. As well as helping our people achieve a better work-life balance, it has resulted in lower sickness and absence rates, and we have better business continuity in extreme weather conditions or during public transport strikes. It also helps us drive down the carbon emissions associated with people's daily commute – today still the most significant proportion of our carbon footprint
- in line with our value of being open, we aim to communicate regularly with our people. Andy Green, CEO, does this through a personal blog, accessible globally via our intranet. This sets out views from Andy and the Executive Committee on principal internal and external issues affecting us. It also encourages comment and discussion through an open 'Tell Andy' response facility, which is widely used. We also hold regular global webstreams. We have had a large number of our people participating in these.

Developing exceptional people
is about continually targeting the development we offer to ensure it is aligned to the skills our people need for their growth, as well as the needs of clients and Logica overall. This spans all levels of Logica:

- we aim to offer our people continual learning and development opportunities, helping them to stay in touch with the latest industry knowledge and innovation. We do this through a mixture of formal training and exposure to opportunities to develop new client solutions. The Logica University continues to provide global e-learning and classroom-based courses to our people across the Group. 30,000 people undertook courses with the University in 2011. Over 180,000 training hours were completed. Ethics, sustainability, information security training and technical skills (around ITIL v3 and PRINCE 2) were most in demand

Smart business, smart working

In our 2011 People Survey, we saw a 9% increase in our people satisfaction with their work-life balance. We attribute at least part of this improvement to our smart working policy – allowing our people to work from client sites, Logica offices, at home or on the move.

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- in 2011 we launched our 'Enable Brilliant Partners' programme which aimed to develop our top 250 leaders across Logica, as well as strengthen our succession plans. The development programme will be undertaken by all Partners within a three-year timeframe. The programme will also help our Partner population meet their individual management commitments. In addition, we have strengthened leadership, hiring a number of industry leaders across the business. This new intake along with the impact of the Enable Brilliant Partner programme was put in place to inspire our people and drive stronger performance and gain greater buy-in to our strategic aims and vision
- to harness the potential of our youngest talent in the organisation, we sent five graduates from across the business to the One Young World global conference. Hosted in Switzerland, 1,200 young business leaders from 170 countries were brought together to create change at a global level around issues such as the role of business in society, transparency in business and government, the impact of climate change, global health and hunger relief. Our delegates have returned with renewed energy and determination to leverage our resources and expertise to make a positive difference (see our case study on this page and online).

Right people, right skills, right places is about ensuring we manage resourcing in a consistent way across Logica – to attract, grow and retain the right people with the right skills, capabilities and experience to deliver value to clients:

- our three-year resourcing strategy starts from what we need to deliver to clients and from where. It helps us make important business decisions about careers for our people. It also defines the onshore/offshore mix and looks carefully at utilisation of skills within the business
- a common global Logica career model will help us attract, grow and retain talent. We have recently successfully piloted an early version of this. This will provide our people with clarity on what is expected of them and how to develop their capabilities to progress and reduce attrition.

Enabling brilliant performance is about delivering a work environment that drives, enables and recognises individual and teams' performance. Our reward system aims to be competitive and affordable, and to motivate staff to achieve key business objectives:

- our variable pay focuses attention on the key business objectives with bonus schemes including some of the most important KPIs as outlined on page 70. We reward our people based on business performance and their individual contribution to ensure each of them is focused on achieving results. Our most senior managers participate in an executive bonus plan which rewards individuals based on their contribution to the performance of their own business and that of the Group against core measures aligned to the overall business plan. Variable compensation paid in 2011 was limited due to a disappointing performance at Group level. Recognising our international diversity, we also have local plans in some of our businesses
- in 2011 we continued to run our "Diamond Awards" programme to formally recognise members of our team from anywhere in the business who we believe have made a real difference. This is a key catalyst to creating an environment and culture of success. Almost 6,000 Diamond Awards have been awarded totalling in excess of £1.2 million, to both recognise and reward excellence.

These actions will ensure that we continue to retain the talented people our clients need.

One Young Logica

Investment in "developing exceptional people" is not just for Logica's senior people – we also want to harness the potential of our youngest talent. This helps them to continue growing and creates positive change inside Logica.

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Our markets

Our markets remained mixed in 2011. The demand for outsourcing continued to grow, and we performed strongly. But other parts of the market showed weakness, particularly in Consulting and Professional Services in the Benelux and Sweden. Although we expect demand to slow in 2012, we believe our clients will still need technology to achieve their goals.

Our markets

Logica has a unique strength in its understanding of the European market. We are also highly rated for our deep domain knowledge in our sectors.

Our clients turn to us for help to create the technology and outsourcing solutions that will lower costs in their businesses as well as drive new opportunities. We fit the needs of our clients – 80% are non-English speaking, with a substantial number of European Public Sector clients among these.

Outsourcing is the fastest growing of our service lines, with growth topping 9% pa for the last three years, driven through increased sales of large deals into our major clients. By service line, the market for outsourcing continues to represent around half of what clients buy from services vendors, the other half being consulting and professional services. For Logica, Outsourcing revenue* is now 45%.

We have seen growth above the market in Application Management (AM) in recent years and are a European leader in this market. Our client intimate strategy works well with large European clients who are new to offshoring and AM. We have recognised strengths in replatforming applications for virtualisation, managing legacy, high security, and small scale applications.

Our Infrastructure Management (IM) service allows our clients to change and adapt while we keep the basic infrastructure secure and operating 24/7. The underlying infrastructure can be owned by the client, a third party, or Logica. We maintain excellent working relationships with a wide range of hardware and software ecosystem partners.

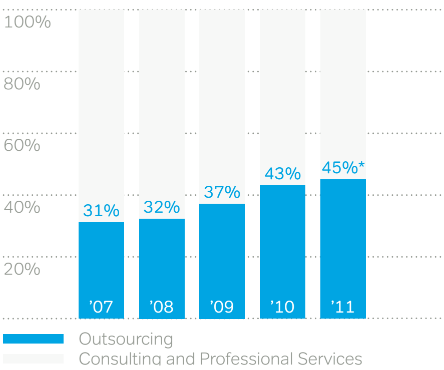
In Business Process Outsourcing (BPO), which is one of the fastest-growing areas in Outsourcing, we focus on value and on the deployment of technology-rich solutions which include the front/middle and back office. We focus on industry-specific solutions, such as fuel cards and Instant Energy as well as on HR Outsourcing in partnership with Oracle.

Clients continue to value the capability of our blended delivery service to deliver a range of solutions from our near and offshore centres, such as in the Philippines, India and Morocco. Some European clients prefer Eastern European to offshore centres, owing to the geographic proximity and same time zone, as well as competitive availability of qualified resources.

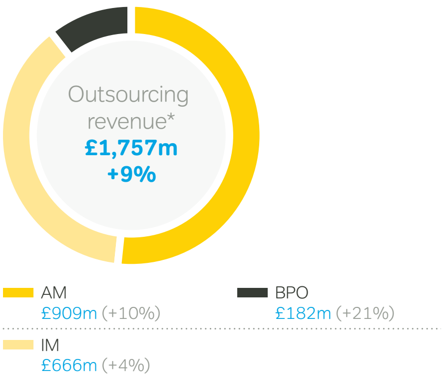
The main drivers to set-up nearshore centres are:

- excellent delivery track record from early small projects
- a local talent pool with potential
- solid telecommunication and transportation infrastructure
- good English language skills often with at least one other EU language (e.g. German, French, Swedish or Finnish).

Outsourcing as a % of revenue (actual)



Outsourcing revenue* by type



Our Consulting and Professional Services business accounts for 55% of revenue*. Despite experiencing some declines through 2011, this remains an important source of revenue across both public and commercial sectors. Mixed trends across our geographies have however seen some pockets of weakness in demand on an individual client basis, including with clients in Financial Services.

* Revenue stated on an underlying basis. For definition of underlying, pro forma and adjusted measures, see page 45.

Cloud

The momentum around cloud has continued to gather speed in 2011. According to analysts, the global cloud market is likely to rise from around $41 billion in 2011 to $150 billion by 2015, an increase of over 30% pa (Source: "Sizing The Cloud", Forrester Research, Inc., April 2011). In Europe, cloud is one of the six priorities for the European Commission's €1 billion annual funding of IT, and UK total spend on cloud in 2011 was around £2.4 billion. For clients, the question is no longer "why cloud?" but "how can we use cloud and what benefits will it bring?". Over 50% of our clients have one or more cloud opportunities. In 2012, we expect clients to focus not only on how cloud can reduce costs and improve agility, but increasingly how cloud services can help organisations grow and collaborate more effectively with employees, customers and citizens.

Our market share

As outlined on pages 4 to 5 our go-to-market approach is by sector and geography. The three largest markets we sell into (as seen in the chart on this page) are the UK, Germany and France – which represent 61% of the services consumed in Europe. Telecoms and media, transport, trade and industrial and public sector are the largest sectors within the EMEA market.

Within our main European geographies, we maintain a strong position as one of the top five suppliers. We are the market leader in Sweden and Portugal and remain particularly strong in the Nordics and France. We ranked fifth in the Netherlands, above Ordina, BT and Accenture. In the UK, the largest and most competitive market in Europe, our market position remains solidly in the top 10, based on our relationship with the UK Government. The market overall remains fragmented. Among the more than 300 IT Service vendors, IBM, HP, Fujitsu and Accenture are the largest by revenue and the top 20 vendors have only 39% market share. The other 61% is held by other smaller players. We continue to compete against many of these players, as well as Atos, Tieto, Capgemini and other international peers.

The railway of the 21st century

Cloud is no longer just about reducing costs and increasing agility for our clients. It's about that, but also much more – it helps them to engage better with their employees; partners and suppliers; and their customers.

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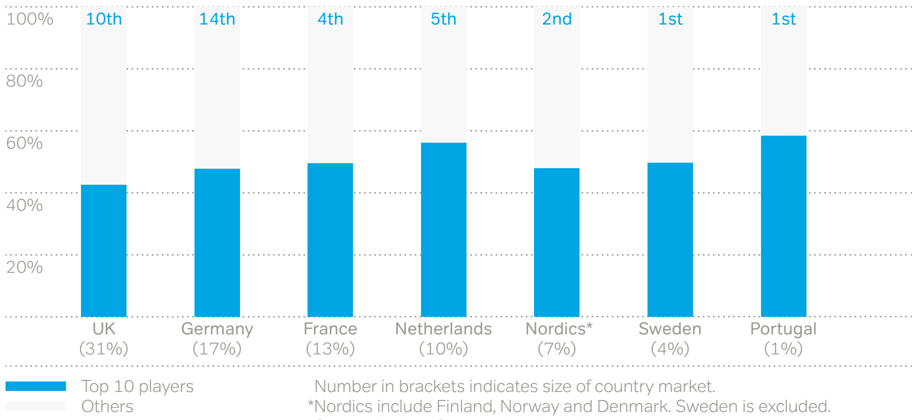
Market concentration and Logica market position at the end of 2010



Number in brackets indicates size of country market.
*Nordics include Finland, Norway and Denmark. Sweden is excluded.
Source: Logica, Gartner data based on 2010.

Industry developments

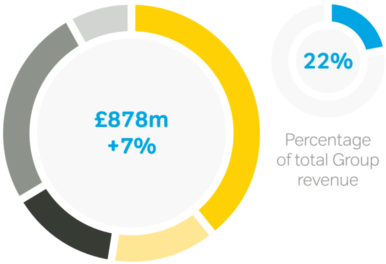
Levels of uncertainty remained high in Europe as we entered 2012, with expectations for low economic growth in Europe for the foreseeable future. IT services businesses remain understandably under pressure from clients. Looking at our markets, it seems clear that our clients will need to adjust to a tougher economic climate which will create real opportunities for Logica. We understand our clients' business and can help them apply technology in an uncertain world. Outsourcing and blended delivery can minimise everyday running costs, allowing maximum investment in key areas such as supply chain management, customer analytics, Business Intelligence and automation. Shared service business process platforms in intelligent energy, card processing, electronic payments and Machine-to-Machine communication, as well as other cloud-based solutions, will allow clients to benefit from lower costs and faster time to market. We are investing in these and in understanding the specific business challenges of clients and tailoring solutions to help them succeed.

We are confident that our long-term client relationships and our sustainable business ecosystems, will allow us to offer the innovative answers that our clients need.

Our markets by geography
A balanced European profile

France

Revenue



- Transport, Trade and Industrial £346m +10%
- Public Sector £116m +7%
- Energy and Utilities £121m -5%
- Financial Services £225m +7%
- Telecoms and Media £70m +9%

Underlying adjusted operating margin

8.8%

Outsourcing growth

+12%

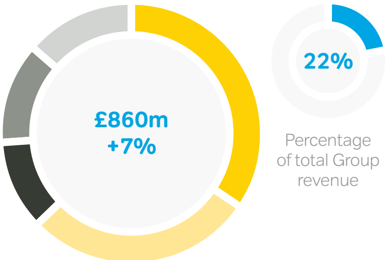
Employees

9,350

Operational highlight for 2011
Revenue growth was above the market at 7% and remains one of the strongest in the Group.

Northern and Central Europe

Revenue



- Transport, Trade and Industrial £297m +13%
- Public Sector £244m +3%
- Energy and Utilities £96m +10%
- Financial Services £108m +3%
- Telecoms and Media £115m +2%

Underlying adjusted operating margin

7.8%

Outsourcing growth

+15%

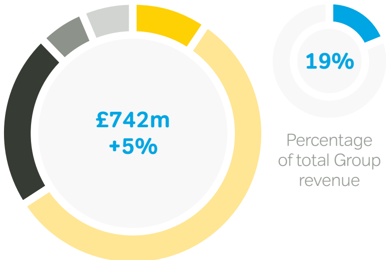
Employees

7,100

Operational highlight for 2011
Germany continued to drive growth in Consulting and Professional Services. Strong growth in Finland and Denmark on the back of our larger Outsourcing contracts.

UK

Revenue



- Transport, Trade and Industrial £71m -19%
- Public Sector £418m -5%
- Energy and Utilities £163m +51%
- Financial Services £44m +29%
- Telecoms and Media £46m +15%

Underlying adjusted operating margin

6.3%

Outsourcing growth

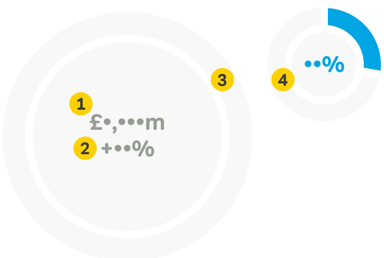
+13%

Employees

5,500

Operational highlight for 2011
UK was back to growth. Energy and Utilities was the key driver of growth as we deployed smart meter trials and the Shell fuel card contract.

Key
Revenue



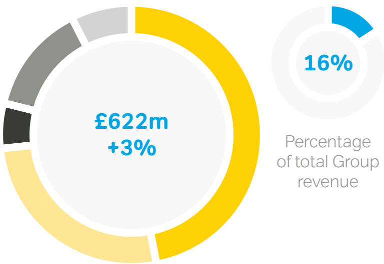
1. Total underlying revenue (rounded to nearest million)
2. Percentage revenue growth (pro forma)* rounded to nearest decimal point
3. Revenue split by industry (rounded to nearest million) and pro forma growth
4. Percentage of Group revenue

* Unless otherwise stated, underlying numbers for 2011 have been used for ease of comparison. For definition of underlying, adjusted and pro forma numbers, see page 45.

Employees
Employee figures are rounded

Sweden

Revenue



- Transport, Trade and Industrial £292m +9%
- Public Sector £165m +1%
- Energy and Utilities £35m -3%
- Financial Services £85m -2%
- Telecoms and Media £45m -8%

Underlying adjusted operating margin

3.6%

Outsourcing growth

+4%

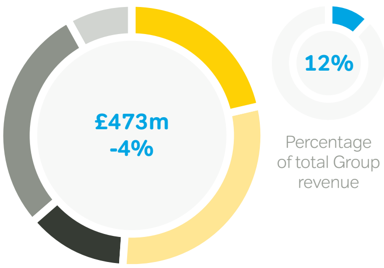
Employees

5,150

Operational highlight for 2011
Sweden ended 2011 with a stronger order book despite difficulties during the year, with fourth quarter orders up 1%.

Benelux

Revenue



- Transport, Trade and Industrial £102m +17%
- Public Sector £140m -14%
- Energy and Utilities £60m 0%
- Financial Services £134m -9%
- Telecoms and Media £37m +9%

Underlying adjusted operating margin

-1.4%

Outsourcing growth

+8%

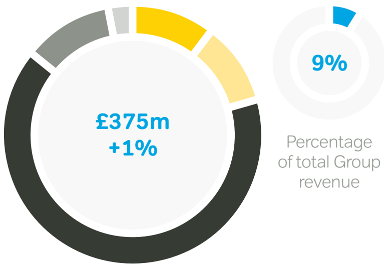
Employees

4,750

Operational highlight for 2011
Orders were up due to good Outsourcing wins, combined with the highest order intake in Consulting and Professional Services since the end of 2008.

International

Revenue



- Transport, Trade and Industrial £39m +8%
- Public Sector £39m -20%
- Energy and Utilities £244m +4%
- Financial Services £42m +5%
- Telecoms and Media £11m -21%

Underlying adjusted operating margin

10.7%

Outsourcing growth

-2%

Employees

9,960

Of which 7,100 in offshore and nearshore locations, 1,450 in Iberia and almost 600 in Australia.

Operational highlight for 2011
International delivered good growth and the strongest underlying adjusted operating margin in the Group.

We are where our clients are

Our leading European presence is blended...

We support our clients around the globe. Our international presence allows us to deliver uniform, high quality services wherever our clients do business.

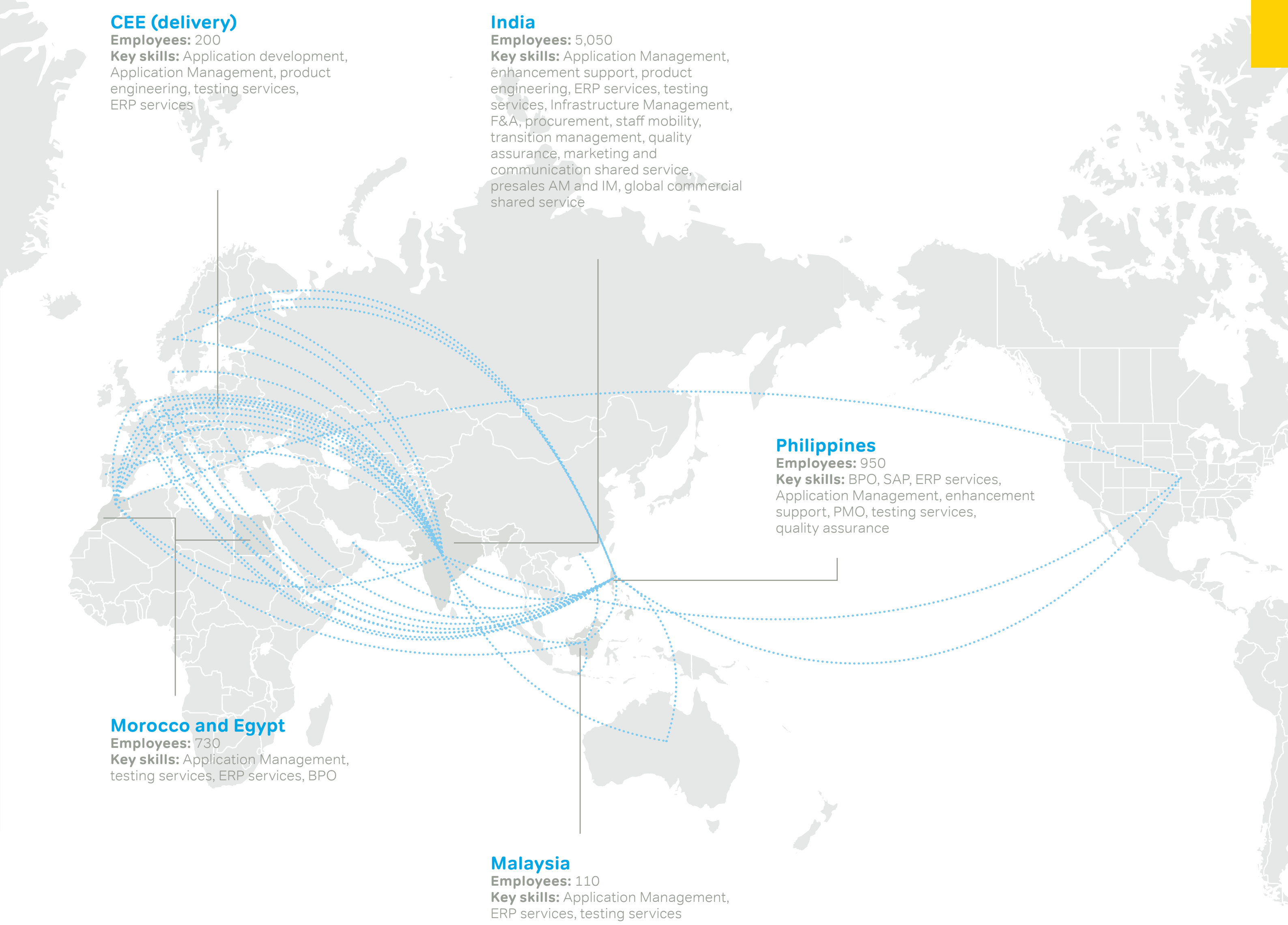
Our clients benefit from our leading position in Europe and our operations in the US, Brazil, the Middle East, Asia and Australia.

International competencies are shared across the Group. We have in-depth knowledge in five sectors and in functional areas common to all industries, such as HR BPO. We offer our clients a full-spectrum service including Business Consulting, Outsourcing, systems integration and professional services.

Other Europe:
(<100 employees)
Bulgaria
Estonia
Luxembourg
Montenegro
Romania
Russia
Serbia
Switzerland
Ukraine

International locations:
Argentina
Australia
Brazil
Canada
Chile
Colombia
Hong Kong
India
Indonesia
Malaysia
Morocco
Peru
Philippines
Saudi Arabia
Singapore
Taiwan
United Arab Emirates
USA
Venezuela

Delivering to 350 clients in 28 countries in 12 languages
...with delivery from our nearshore and offshore centres

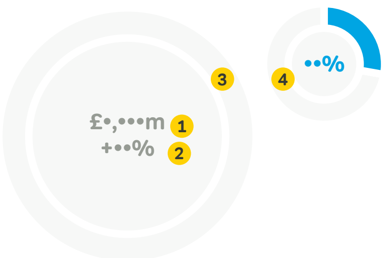


Our offshore and nearshore centres had almost 7,100 people at the end of 2011, serving over 350 clients in 12 different languages. Our offshore delivery centres in Asia and Morocco support a growing client base. Our Indian operations now have over 5,000 people. Our integrated approach to Outsourcing service delivery means we can offer maximum flexibility in meeting the differing needs of our clients and their criteria for quality, performance, security and risk. We combine people, processes and technology to deliver integrated, uniform services that mirror each client's requirements. Consistent use of processes and tools across our geographies helps drive growth and industrialisation.

Our markets by industry
Deep sector knowledge

We have deep knowledge across five industry sectors. Our top five clients in each sector (listed here in alphabetical order) account for between 16% and 57% of sector revenue.

Key
Revenue



1. Total underlying revenue (rounded to nearest million)
2. Percentage revenue growth (pro forma)* rounded to nearest decimal point
3. Revenue split by country (rounded to nearest million) and pro forma growth
4. Percentage of Group revenue

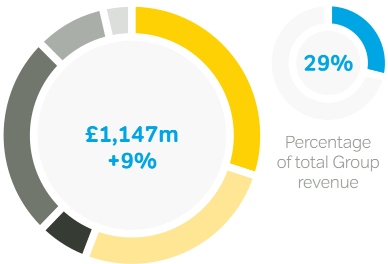
2011 highlights
Some of the most important projects within this sector in the last 12 months.

Looking ahead
Our value propositions and investments which position us well going forward.

* Unless otherwise stated, underlying numbers for 2011 have been used for ease of comparison. For definition of underlying, adjusted and pro forma numbers, see page 45.

Transport, Trade and Industrial

Revenue



- France £346m +10%
- Sweden £292m +9%
- Northern and Central Europe £297m +13%
- Benelux £102m +17%
- UK £71m -19%
- International £39m +8%

Top five clients
Carrefour
EADS
Michelin
PostNord
Volvo

2011 highlights
We signed one of our largest ever HR BPO deals with leading international retailer Ahold – further evidence of our retail expertise, and growing strength in Outsourcing and BPO.

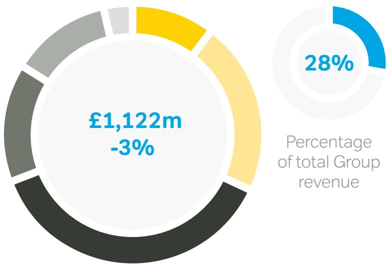
We have continued to lead the global development of Intelligent Transport Systems, where our Network Rail on-train metering project recently won the British Computing Society's Environmental Project of the year.

Strong growth means TTI is now our largest sector.

Looking ahead
Our retail and industrial clients need us to focus on product development and supply chain agility and optimisation, as they try to reduce costs and serve more customers, more quickly. The pressure on retailers and manufacturers to sell through multiple channels to sophisticated digital consumers is creating a new opportunity for Logica to advise clients and transform the way they sell to their customers.

Public Sector

Revenue



- France £116m +7%
- Sweden £165m +1%
- Northern and Central Europe £244m +3%
- Benelux £140m -14%
- UK £418m -5%
- International £39m -20%

Top five client subsectors
Central Government
Defence
Healthcare
Local Government
Public Safety and Justice

2011 highlights
We have helped our clients become more efficient and deliver better services and we have won contracts with the UK's Serious Organised Crime Agency (SOCA), French Ministry of Defence and Swedish Pensions Agency.

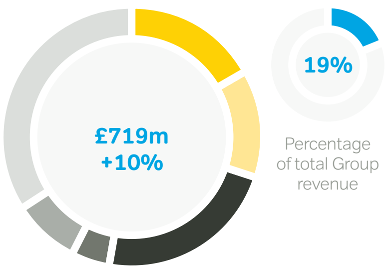
New clients include Normandy's Water Agency, the Finnish Ministry of Defence and a major defence client where we will design, build and run a transformed HR service.

Recognising our leadership in space cyber security, we also delivered ground infrastructure for Europe's satellite navigation system, Galileo, in contracts worth over €55 million.

Looking ahead
Our ambition is to help the Public Sector transform the way it operates through smart ideas, business change, sharing services, new approaches to sourcing and technologies such as cloud. And to find new ways to engage with citizens and create opportunities for local economic growth through portals, mobile applications, social media and open data.

Energy and Utilities

Revenue



- France £121m -5%
- Sweden £35m -3%
- Northern and Central Europe £96m +10%
- Benelux £60m 0%
- UK £163m +51%
- International £244m +4%

Top five clients
DCWW
EDF
EDP
GDF SUEZ
Shell

2011 highlights
We delivered smart data services to five of the top six retailers in the UK, supporting more than 60% of the smart meters installed in UK homes.

Logica and FleetCor signed a €300 million deal to provide a managed fuel card service for Shell.

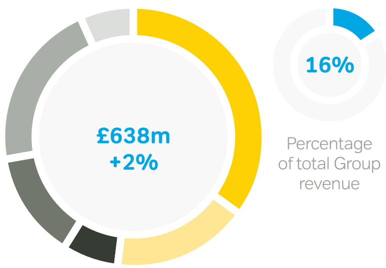
We helped EDP extend its award-winning Renewable Management System into other continents, supporting its expanding generation portfolio. We also extended EDP's smart grid technologies into other countries. This was proven in the Portuguese Inovcity pilot and selected by the EU as the smart grid reference.

Looking ahead
As clients develop their Smart World, we support them with the solutions to upgrade networks and the consumer experience.

Our fuel card business enables retail companies around the globe to broaden their client services and customer contacts. Logica helps oil and gas companies to benefit from productised industry solutions in exploration, production, trading and cloud collaboration solutions.

Financial Services

Revenue



- France £225m +7%
- Sweden £85m -2%
- Northern and Central Europe £108m +3%
- Benelux £134m -9%
- UK £44m +29%
- International £42m +5%

Top five clients
ABN AMRO
BNP Paribas
Crédit Agricole
ING
Société Générale

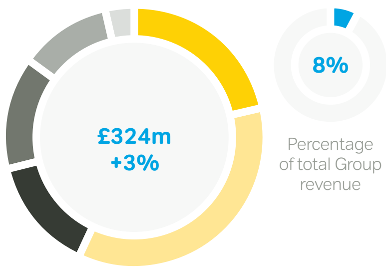
2011 highlights
Financial institutions and corporates trusted us to handle the changing payments landscape. Five new clients across three continents have selected Logica All Payments Solution (LAPS). We delivered projects that deal with Solvency II, Basel III, operational risk and liquidity management. To reduce cost and address business needs, we created new client-specific service centres.

The implementation of a new advisory platform using iPads and Salesforce.com for a major French insurer and a new multi-channel management system at Crédit Agricole were other key wins.

Looking ahead
To respond to cost reduction and operational efficiency pressure, we deploy innovative sourcing approaches. We enable our clients to connect more easily with their customers and to improve the service experience. We focus on driving business outcomes from the implementation of changing regulation.

Telecoms and Media

Revenue



- France £70m +9%
- Sweden £45m -8%
- Northern and Central Europe £115m +2%
- Benelux £37m +9%
- UK £46m +15%
- International £11m -21%

Top five clients
BT
KPN
Nokia
Orange
TeliaSonera

2011 highlights
We helped our clients to redesign and streamline internal processes with new and extended Application Management contracts in several European countries.

We assisted telecom operators to excel in client service through CRM and supply chain systems and have strengthened our position on the "Internet of Things", extending our relationship with key communication service providers to further develop, implement and support two of the largest Machine-to-Machine (M2M) platforms. We are now recognised by our clients as the leading systems integrator in Europe for the "Internet of Things" and M2M.

Looking ahead
We will continue to help our clients accelerate the modernisation of IT to drive change and cost reductions. We will build innovation partnerships and new business models, notably leveraging M2M opportunities.

Our strategy

Over the past four years, we have created a consistent organisation, focused on a clear strategy based on client intimacy and a single brand. Using our leadership positions, we have continued to develop strong long-term relationships with our major clients. We have continued to increase our share of the market by growing with our current clients and developing relationships with new ones.

We set ourselves a clear plan to focus on above-market growth and improve margins. We planned to achieve this by concentrating on accelerating blended delivery, creating a "One Logica" culture and driving competitive costs. We set out to grow Business Consulting to engage with our clients' senior executives and develop Outsourcing Services to maximise our recurring revenue. We aimed to drive our competitive advantage by increasing our offshore blend, combining our strengths globally, driving operational excellence and reducing costs to achieve sustainable margins.

We have made real progress in many areas:

- we have strengthened our position with European clients, with growth in our largest accounts up 11% and our top 50 clients now accounting for 44% of revenue compared to 42% in 2010. A significant proportion of the large deals in 2011 came from these larger clients
- as illustrated on pages 10 to 17, we continue to have a strong leadership position in Europe and have won new deals with clients like Michelin and Shell, which extend our reach into new services as well as new territories
- our leadership position in Outsourcing Services in Europe has strengthened, with our Outsourcing business growing above the market and increasing as a percentage of revenue within Logica
- we are winning many more large deals, with our Outsourcing order backlog up to £2.6 billion at the end of 2011
- Business Consulting and Outsourcing are clearly-established service lines, driving synergies and leveraging our strengths in different geographies
- we have achieved a significant reduction in overheads while improving the sustainability of our operations, but we need to continue to work on reducing our direct costs to improve margin
- our strong performance in France, Northern and Central Europe and International clusters has helped us sustain good revenue growth
- our blended delivery model has been deployed more widely, with services now being delivered to 350 clients in 28 countries in 12 languages
- our people satisfaction has continued to increase.

However, there are areas where we have not achieved what we set out to do:

- our gross margin has not improved due to a competitive pricing environment. Gross margin has also been impacted by the costs of restructuring announced in December needed to make the business sustainable over the longer term
- there remains an opportunity to better leverage offerings, assets, learning and experience across the Group, replicating pilots like the Application Management programme where the benefits from shared service and a common tool-set have reduced turnaround times for clients from 6 to 4.5 hours
- our execution of Group plans has not been as consistent as we would have liked in Sweden and the UK. The Benelux market has also proved more difficult than we had anticipated
- our 'One Logica' initiatives have resulted in a more streamlined organisation in tune with changing client needs. But our clients' feedback is that we have more to do to align our business and operating models across different geographies to better serve them.

As we look forward, we continue to expect challenges due to the shifting demands in our clients' needs and a rapidly transforming technology and business model.

In the next three years, we need to adjust our skills and accelerate execution in the areas that are critical to our continuing success. These include:

- the investments needed to remain competitive and to continue strengthening large contract execution
- using our brand to deliver unique experiences to our clients and our people
- building new business models for our clients and for our future.

Our strategy centres on creating sustainable value by: engaging our clients to drive superior growth; focusing on our most important asset – our people; delivering client value through new business models; and improving margins while delivering value for money to our clients.

As a business, our priority for 2012 is to leverage these investments and efforts to ensure:

- our Benelux business returns to profit
- our Swedish and UK businesses deliver an improved margin
- our IM business is strongly competitive going forward.

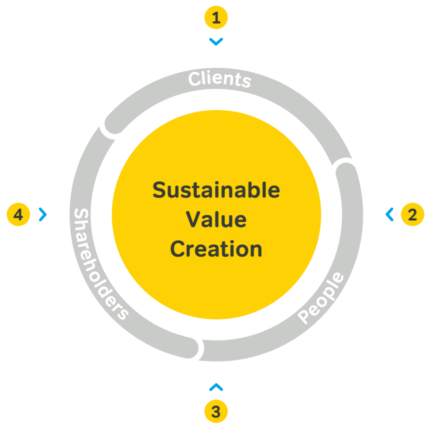
Over the longer term, our plan aims to deliver a sustainable level of growth with deep foundations in our 'client intimacy' strategy, our sector knowledge and collaboration with our ecosystem partners. It is based on continuing investment to create market differentiation. We aim for longer-term revenue growth rates at least in the low single digits – regardless of the economy, with a continuing trend of Outsourcing growing faster than our Consulting and Professional Services business. We aim for operating profit improvement over the longer term, driven by a clear focus on reducing the cost of delivery and increasing productivity to improve gross margin.

For shareholders, this should result in sustained EPS growth and a business that delivers strong free cash flow generation. This will enable us to maintain a progressive and sustainable dividend policy while undertaking investments to support our long-term success and create pioneering solutions for our clients.

Find out more
- Our European clients, go to pages 16 and 17
- Our markets, go to pages 10 and 11
- Outsourcing business, go to page 36
- Outsourcing order backlog, go to page 36
- Margin performance, go to page 34
- Sustainability of operations, go to page 20
- Execution of Group strategy, go to pages 22 to 29

Key strategic programmes

Our key strategic programmes are set out below



1 Engaging Clients

We will create market differentiation by leveraging our sector leadership and Business Consulting-generated insight. We expect over two thirds of our revenue to be generated by our major clients. Our go-to-market model around sectors will ensure the development of a coherent portfolio of offerings based on the current and future needs of our major clients, industry trends and our own insights. Our Business Consulting revenue will continue to grow and will stimulate demand for other services. Clients will benefit from investments in client management and thought leadership.

2 Client Focused People

Our 'People Vision' is clearly articulated through our Employee Value Proposition, which focuses on driving engagement with our people. A refreshed Logica career model and improvements in our performance management and strategic resourcing will support continuing career development. The aim is to give people clear direction about career development and to minimise unnecessary restructuring. By ensuring we have the right people with the right skills in the right places over the longer term, we expect to limit business-as-usual restructuring beyond 2013 to around 1% of revenue (having accelerated our 2012 and 2013 restructuring into 2011).

3 Client Value

We continue to develop Intellectual Property-based offerings which clients value. These include products, offered traditionally or on a Software-as-a-Service (SaaS) model, and business platforms such as our HR BPO and fuel cards. These platforms resulted in important wins with Shell, Ahold and BAE Systems in 2011. As clients look to buy service as operating rather than capital expenditure, new 'as-a-service' models in software, infrastructure and business processes are gaining traction. These give us the opportunity to convert deep domain knowledge into new revenue streams which give us distinctiveness in the marketplace. Maximising reuse of assets also creates opportunities for revenue growth and margin improvement.

4 Delivering Value for Money

Profitable growth relies on the ability to drive increased efficiency and reduce labour costs across the cycles. Moving towards a higher mix of Outsourcing provides more revenue stability and pressure on pricing in Outsourcing is more about longer-term efficiencies than short-term economic cycles. Our investment in standard global tools and processes in Application and Infrastructure Management are enhancing the client experience, providing better visibility of cost drivers, enabling consistent, joined-up remote and offshore support, promoting more effective collaboration across cloud and non-cloud based ecosystems, and driving productivity improvements. More investments in processes and systems are critical to overhead reduction and business control. Learning from our experience in 2011, we will manage project and service delivery risk better through a well-defined 'Delivery Assurance' programme.

Sustainability

We are working with our clients to deliver a sustainable future. The social and environmental benefits of the services we deliver are wide-ranging.

We are incredibly proud of the work we have delivered for the Police National Database (PND) in the UK, where we play a role in helping protect the most vulnerable people in society. Logica is helping the PND to provide a single view of data held in police intelligence, custody, crime, child and domestic abuse systems across the whole of the UK. It will not replace local police systems but it will allow all forces to see and share information that until now has only been available within individual force boundaries – see our case study on page 5 or online.

In 2011 we were selected by the World Health Organization (WHO) to support the African Network for Drugs and Diagnostics Innovation (ANDI) by building a collaboration platform for scientists, ultimately contributing to the fight against disease in communities across the African continent. Such projects are inspiring for the project team delivering them, and make all our people proud to work for Logica.

Our Sustainability Business Consulting practice provides a dedicated focus on helping our clients deliver a sustainable future today. Our solutions drive energy efficiency, better manage sustainability risks, enhance reputation, comply with new regulation and generate new revenues by offering more sustainable products and services.

In a challenging economic climate, we provide strategic insight and solutions that help our clients to grow commercially, as well as bringing environmental and social benefits.

Our sustainability offerings build on our decades of experience in the energy and utilities and transport industries. They range from creating smart utilities and effective energy management solutions, to developing innovative, sustainable transport systems and unlocking new opportunities in sustainable supply chains. Throughout the year, we have continued winning new work and executing successfully with existing clients:

- our work with Low Carbon London continues to support the development of the UK's smart grid
- our Instant Energy service now supports more than 60% of smart meters in the UK
- our online travel planner, which helps consumers identify lower carbon travel alternatives, has been implemented in 28 cities across Finland and the US
- our ongoing work with EDP in renewables has led us to win the 'Technology Innovation of the Year Award for Excellence in Renewable Energy' at the Renewable Energy World conference and delivers renewable energy to seven countries across the globe.

We also continued to bring more innovative solutions to market. We work collaboratively with our clients to find innovative answers to their business problems. A key component of our success is our ecosystem-driven approach and strong partnerships with both public and private sector organisations.

- our award winning IBOR (Dutch Intergraal Beheer Publieke Ruimte), infrastructure solution, developed in partnership with Microsoft, is designed to help reduce energy costs and carbon emissions generated by street lighting, while simultaneously creating new ways to help reduce crime and support the work of the emergency services
- launched in 2011, our L.U.C.I.D. (Land Use Carbon Intelligence Service) service transforms the way the impact of land use change on carbon emissions is measured. It uses satellite data to allow users to quantify and monitor how much carbon is absorbed and stored by forestry and other vegetation in a given area. The data collation and analysis is now instantaneous, replacing the slow and costly field surveys that are traditionally required. From carbon offsetting to land use planning and supply chain sustainability, the potential for organisations, NGOs and governments is immense.

While the sustainability practice represents only a small percentage of our revenue, the pipeline continues to grow as sustainability challenges and the solutions we generate drive real opportunities with clients across our sectors.

> "The greatest potential for us to create positive social and environmental change is through the services we deliver to our clients."
>
> **Andy Green**
> CEO

Responsibility

This year has seen Corporate Responsibility (CR) become more deeply engrained in our business. Our CR programme continues to support our overall business strategy. We focus on deepening client relations and meeting their expectations on our social and environmental performance, working to provide better returns to our shareholders through being more competitive, reinforcing our values and maintaining high levels of integrity within our Company culture.

Clients are increasingly interested in how their existing and potential suppliers are performing.

Each year we see an increase in the number of questions relating to CR in our client bids. And to meet their growing expectations, we were pleased to achieve two significant milestones in 2011: we entered the Dow Jones Sustainability Index for the first time and were recognised as the leading IT services company globally for combined disclosure and performance in the Carbon Disclosure Project.

22%

of Logica's Board are women

c.12%

of Logica's senior managers are women

Our CR programme has been successful in deepening client relations, such as our partnership with the Swedish Financial Coalition to help mitigate internet child pornography. We are also sharing our approach to disability and gender diversity with clients in France through a dedicated network. In Portugal we have contributed to one of the biggest CR events the country has staged, EDP's 'Parte de Nos: A part of us', involving 1,500 volunteers providing a makeover to 12 hospitals' buildings and grounds.

For our business to succeed, our clients need to trust us. We earn their trust through maintaining high levels of integrity within our culture. We aim to increase the number of our people completing our ethics training from the 65% reported at the end of 2011 to 95% at end March 2012.

Our values of being committed, innovative and open require a connected and inclusive working culture. We are working to better reflect the diversity of our clients in our workforce. More diverse talent means we have a better range of skills and capabilities to offer our clients. It also helps us innovate and deliver multi-region and multi-cultural client services in an integrated and mutually supportive way.

Our people want to make a difference in the communities in which we all live and work. Volunteering is a key part of our commitment to our communities. Our programme aims to help our people to:

- develop new skills
- build stronger team dynamics
- build deeper relationships with our clients.

Through 2011, we have also been working to integrate skills development opportunities through volunteering in our learning and development programmes. In India, for example, Logica has built a classroom in a local school, equipped it with computers and provided lessons staffed by Logica volunteers. As well as providing local school children with an education in Information Communication Technology, it helps our people develop soft skills such as leadership, presentation and facilitation.

Our environmental compliance and reporting continued to lead most of our peers and enables us to deliver more competitive overheads. To drive better returns to our shareholders, we have focused on reducing energy consumption and travel where possible. We see potential to create more cost savings for the business and established a Carbon Reduction Roadmap in 2011 identifying where we can expect to save cost and long-term carbon reduction commitments. Our KPI in this area can be found on page 26.

We have taken further steps to mature the reporting process for our environment programme. As well as rolling out a new global tool, we have integrated our environmental and financial reporting processes and our local Finance teams have now become accountable for the quality of our environmental data.

See our full CR report at **www.logica.com/sustainability**

Getting about the greener way

As a people business, commuting and business travel makes up two thirds of our company's carbon emissions. 83% of our people believe it's important that Logica takes an active role in reducing its own impact and that of its clients, on the environment.

See and hear more online:
annualreport.logica.com/our-stories/

Assessing performance: our KPIs

Our mix of clients continues to drive a balanced market sector profile. Our order intake and our attrition remain at healthy levels to sustain a good business. But our performance on a number of KPIs in a more difficult market suggests we need to execute more effectively to deliver against our longer-term goals.

1 Engaging Clients

A differentiated engagement helps us capture a larger share of wallet with our major clients. However, we aim to keep our client list diverse enough across sectors and geographies to protect us against any significant downturn in any one industry sector or country. Our balanced market sector profile ensures we can grow the business sustainably over the longer term, regardless of the economic backdrop.

The drop in our client satisfaction in the context of a tougher market in 2011 reflected the difficulties we faced in the Benelux and Sweden, which resulted in a lower score. This overshadowed a better performance in France. Our people are focused on reversing this in 2012. Working with our largest clients, we are building clear plans to drive sustainable long-term revenue streams with us and our ecosystem of partners.

2 Client Focused People

Our people agenda is not only about ensuring that we understand how to hire and retain the right people and ensure they are in the right places for our clients (as measured by our attrition and nearshore/offshore headcount metrics). We will only be successful if we develop and leverage the thought leadership, innovation and commercial acumen of our people while giving them the right environment to be productive. Our people satisfaction score is a proxy for how successful we have been in inspiring and motivating our people.

1 Engaging Clients

KPI	Definition	Rationale
Balanced market sector profile	Revenue for each market sector (see pages 16 and 17) as a percentage of Group revenue.	A balanced market sector profile helps ensure that Group revenue and profit is less susceptible to a downturn in any one segment. As we identify the major clients with whom we hope to deepen our wallet share, we aim to keep a reasonable balance between sectors while not constraining the growth opportunities that may exist in a particular sector.

The numbers 1-4 in each figure represent the corresponding strategic programme as set out on page 19. Expected financial outcomes are output-based KPIs.

3 Client Value and 4 Delivering Value for Money

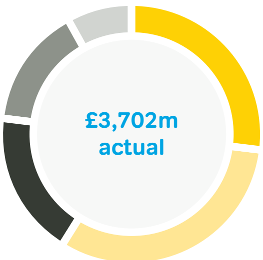
Being able to respond to the trend for clients to outsource more with efficient IM, AM and BPO offerings and for more offshore using a blended delivery model, will allow us to continue to price competitively and win business. Continued co-innovation with clients and partners resulting in high value differentiated and more profitable offerings is also a core component of our strategy. Our ability to get our offerings right should result in continued growth in Outsourcing revenue and a growing Outsourcing order backlog. In Consulting and Professional Services, the proxy for the sustainability of future revenue streams will be the health of our book to bill. Increasingly, our clients, people and shareholders also want to know that Logica is focused on people and planet as well as profit and the improved sustainability of our operations has become important in how we are judged.

5 Expected Financial Outcomes

Growth above the market with sustainable margins will ultimately drive EPS growth and the cash returns which matter to shareholders, with margins the ultimate test of whether clients value the differentiated offerings we aim to deliver to them. We are introducing free cash flow as a KPI and a measure which is included in our bonus plans and partner plans from 2012.

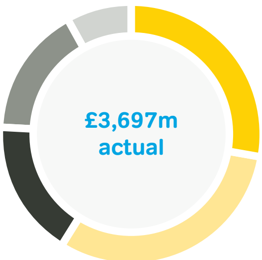
Performance over three years

2009



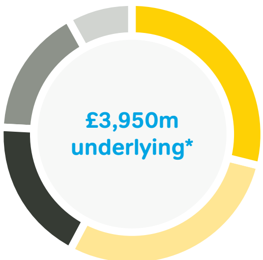
- Transport, Trade and Industrial 27%
- Public Sector 32%
- Energy and Utilities 18%
- Financial Services 15%
- Telecoms and Media 8%

2010



- Transport, Trade and Industrial 28%
- Public Sector 31%
- Energy and Utilities 17%
- Financial Services 16%
- Telecoms and Media 8%

2011



- Transport, Trade and Industrial 29%
- Public Sector 29%
- Energy and Utilities 18%
- Financial Services 16%
- Telecoms and Media 8%

Find out more
For more insight into what has driven performance in each sector in 2011, see pages 16 and 17.
TTI became our largest sector, overtaking the Public Sector. Overall, we retain a balanced profile.

* Unless otherwise stated, underlying numbers for 2011 in this section have been used for ease of comparison. For definition of underlying, adjusted and pro forma numbers, see page 45.

1 Engaging Clients

KPI	Definition	Rationale
Client satisfaction	The percentage increase in the weighted mean score for key questions in the annual Logica client survey.	Client satisfaction is a proxy for our client engagement and whether we are adding value to our clients' business. The weighted mean score is a measure of the overall effectiveness of our engagement with our clients and the change in satisfaction from year to year. We aim to increase the client satisfaction and be rated among the key suppliers to our major clients. All major business units will have KPIs around client satisfaction.

2 Client Focused People

KPI	Definition	Rationale
People satisfaction	A weighted mean score for key questions in the annual Logica people survey, as measured on a scale of 1 (low) to 5 (high).	From 2011, our senior team has been measured on the results of the people survey results and from 2012, we will extend this to all our leaders.
Attrition	Annualised voluntary attrition is measured by the number of voluntary leavers as a percentage of the total employee population. There will always be a natural level of attrition due to people retiring, decisions to change careers and a competitive marketplace.	Retention of employees, alongside ongoing training and development and opportunities for interesting work and engagement in our wider community programmes, ensures that we are maintaining and upgrading the domain expertise that is a key differentiator for us. It also measures our managers' ability to retain their employees in a buoyant market.
Nearshore and offshore headcount	The headcount based in Logica's nearshore and offshore centres which are: India, Philippines, Morocco, and Central and Eastern Europe.	Our onshore/offshore mix continues to be an important differentiator in the service we sell to clients as well as a key driver of our profitability as we aim to reduce our average cost of labour. We expect our nearshore and offshore headcount to reach around 25% of total headcount over the medium term from its 2011 level of 17%.

Performance over three years

2009	2010	2011
3% increase	2% increase	1% reduction

Find out more
For more details on our top clients, see pages 16 and 17.

Performance over three years

2009	2010	2011
3.61	3.53	3.61
7%	14%	13%
5,100	5,800	7,100

Find out more
75% of our people participated in our People Survey conducted in early 2012. For more about our people, see pages 8 to 9 and our Corporate Responsibility reports at **www.logica.com/sustainability**

Find out more
We want a healthy level of attrition (which is likely to be around current levels, with around 5,000 to 6,000 people exiting the business every year). This allows us to make strategic resourcing decisions and refresh our labour mix with new skills and the right mix of onshore and offshore without destabilising our client delivery. At this level, we can invest in the management and skills development of the people we retain and ensure that both our people and our clients get the benefit.

Find out more
Our headcount in these centres was up 22% in 2011. The fastest growth was in India, up 17%. Our Moroccan centre was broadly stable despite uncertainty in the region. For more on the skills and countries served out of these centres, see page 15.

3 Client Value and 4 Delivering Value for Money

KPI	Definition	Rationale
Percentage of revenue from Outsourcing	Revenue from Outsourcing contracts as a percentage of Group revenue.	Longer-term value-added contracts represent a more predictable revenue stream, assuming good project and risk management. The investment in Outsourcing we have made over the last four years has been aimed at growing revenue from Outsourcing faster than overall Group revenue, reflecting where the opportunity for growth is in our markets. Our goal is to continue to grow revenue Outsourcing from our current level of 45%.
Outsourcing order backlog	The total value of orders booked but not yet delivered in the Outsourcing business. This metric was introduced as a KPI in 2010.	In the Outsourcing business, the order backlog gives us the best view of the longer-term visibility of revenue. We would typically expect to have an order backlog greater than 50% of the previous year's revenue at the beginning of any year.
Consulting and Professional Services book to bill	Consulting and Professional Services orders booked in a period divided by revenue in the period for this part of the business.	In the more cyclical part of our business, this provides visibility of future revenue. A book to bill above 100% means that the Company is booking orders greater than the revenue in the year, suggesting a good order backlog going forward.
Reinvestments in future growth	Sales and marketing expense as a percentage of sales.	Over our 2008 base, we have our clients by ensuring we can differentiate our offerings in the market vis-à-vis our competition.
Improved sustainability of our operations	Reduction in carbon emissions measured as reduction in tonnes of carbon dioxide emitted.	We aim to reduce our absolute carbon emissions from our 2008 baseline, working towards a 50% reduction by 2020. Our main emissions are generated by where our people work, how they travel and the operation of our data centres. Thinking more about how and where we work (see page 8) provides an opportunity for improvement. In 2011, we set out a carbon reduction roadmap, which identifies the KPIs that the business must work forward to meet our mid-and long-term goals.

Performance over three years

2009	2010	2011	
37%	43%	45%*	**Find out more** For additional metrics around our Outsourcing business, see page 36. For the longer term trends in this market, see page 10.
n/a	£2.3bn End of 2010	£2.6bn End of 2011	**Find out more** Important Outsourcing orders booked in 2011 and additional Outsourcing metrics are detailed on pages 3 and 36 respectively.
108%	105%	112%	**Find out more** For additional Consulting and Professional Services metrics, see page 36.
7.4%	7.4%	7.3%	**Find out more** For more detail on our client engagement, see page 18 and our client stories at **www.logica.com**.
5% reduction	7% reduction	0% reduction	**Find out more** In 2011 the carbon reductions realised in Europe were offset by increases in offshore locations which are powered by more carbon-intensive energy sources. We have been successful in achieving external recognition for our environmental credentials. Logica was recognised as the leading IT services company in the Carbon Disclosure Project and entered the Dow Jones Sustainability Index for the first time in 2011. For more details, see our full report at **www.logica.com/sustainability**

5 Expected Financial Outcomes

KPI	Definition	Rationale
Pro forma revenue growth	Percentage growth in revenue in the current year compared to revenue on a like-for-like basis in the previous year, i.e. taking into account the impact of acquisitions, divestments and currency movements. Exceptionally for 2011, we are using underlying revenue which excludes the revenue impact of contract charges taken in December 2011. This represents a better like-for-like comparison with prior years. Including the impact of contract charges, revenue growth was 3%.	Provides a measure of our ability to grow revenue. This demonstrates our ability to take advantage of market growth, to use scale to generate market share and to leverage our global delivery capability to expand revenue.
Adjusted operating margin	Adjusted operating margin is a percentage of revenue. Adjusted operating profit is operating profit excluding the results of discontinued operations, exceptional items and amortisation of intangible assets initially recognised at fair value in a business combination, whenever such items occur. Exceptionally for 2011, we are using underlying adjusted margin which excludes the impact of contract and restructuring charges taken in December 2011. This represents a better like-for-like comparison with prior years. Including the charges, adjusted operating margin was 2.9%.	This measure is used to compare quality of earnings with those of our peers. Our medium-term strategic objective is to ensure restructuring is considered as a business-as-usual expense within adjusted operating margin.
Adjusted EPS growth	Growth in net earnings attributable to equity holders of the parent company excluding, whenever such items occur, the result of discontinued operations, exceptional items, mark-to-market gains and losses on financial assets and financial liabilities designated at fair value through profit or loss, and amortisation of intangible assets initially recognised at fair value in a business combination, net of tax where applicable, divided by the weighted average number of shares outstanding in the period.	EPS growth is an important measure for shareholders of the earnings generated by the business, after the effect of interest and tax.
Free cash flow – NEW	Free cash flow is a derived measure of net operating cash flow which takes operating profit and adds back non-cash items relating to depreciation and amortisation, adjusts for changes in working capital and deducts capex, interest and tax paid.	Free cash flow is a measure of the cash generated by the business that can be reinvested in future growth or returned to shareholders. This metric will be used in our bonus plans from 2012.

Performance over three years

	2009	2010	2011
	-3%	+1%	+4%*
	7.4%	7.4%	6.2%*
	+2%	-2%	-8%*
	£180m	£84m	£82m

Find out more
For more details on our revenue growth by service line and segment, see our Financial review on pages 34 to 35.

Find out more
For a view of our margin performance in 2011, see page 34.

Find out more
Our underlying profitability declined on the back of a difficult market in the Benelux. See page 34 for more details.

Find out more
For more detail on our net debt/ EBITDA guidance, financial position and progress on cash, see page 35 and our full year results presentations on **www.logica.com/investors**

Our performance – Risk

Our risk management policy, risk exposure and risk mitigation are regularly reviewed by the Board, Audit Committee and Executive Committee. We remain confident that we have strong overall mitigation plans and clear leadership in place against our nine Group risks. However, the charge we recorded in relation to some of our major contracts at the end of 2011 has led us to examine the need for stronger mitigation actions in this particular area.

Review of highly controllable risks

We identified nine Group level risks in 2011, with seven being assessed as high or medium priority items. Of these, four are deemed to be highly within our control.

Against our higher priority risks, business continuity was strengthened in 2011. The actions we took to improve our information systems, data security and operational resilience led to better risk mitigation. We did not identify any adverse material impact on revenue or client satisfaction from business continuity issues in 2011.

However, actions we had taken to mitigate major contract-related risks proved to be inadequate, resulting in contract charges of £39 million which diluted margin by 100bps. In 2011, we performed a risk review of our top 100 contracts in terms of size, complexity, build up of work in progress and the status of the delivery to the client. This included the largest, most complex and most challenging contracts across the Group. An analytical review of our smaller value, short-term contracts also concluded that this portfolio of contracts was healthy.

Our management of major contract risk relies on a robust bidding system with clear reviews through the bidding process, tiered levels of authority involving our commercial and finance functions, defined project quality delivery processes and methodologies at the delivery stages and monthly business reviews. The £39 million of charges stemmed from the fact that these disciplines were not rigorously embedded everywhere. We therefore failed to identify the impact that a worsening economic environment could have on a small number of volume dependent contracts.

Applying increased rigour to the achievability of cost transformation across the portfolio in a weaker economy exposed vulnerability in an additional five contracts. Our delivery risk management should have pinpointed these risks more clearly. As highlighted here, as well as in the Financial review and Audit Committee reports, future mitigation will be through more rigorous review of volume dependent contracts in the bidding stages as well as continuing to drive standardisation faster to ensure more protection against difficult economic environments. We have established an independent contract accounting function and stronger delivery assurance.

Our strategic change programmes included productivity programmes aimed at reducing direct costs and overheads and improving delivery effectiveness, risk and change management. These were the focus of more attention in 2011 – but other industry players also stepped up the pace and meant that pricing pressure remained a factor in some areas. The faster transition of our Infrastructure Management activities to our offshore centres and the restructuring announced in December were undertaken in 2011 to offset this. While we saw little material change to our win rates or order intake at the bidding stage, our ability to maintain this will rely on our continued industrialisation and offshoring of our Outsourcing activities, particularly around Infrastructure Management. A significant step up in our activities in 2012 should be a key contributor to gross and operating margin improvement over the longer term.

High priority and highly controllable risks

Risks	Potential impact	How we mitigate it
Major contract-related risks **Executive responsibility in 2012:** Himanshu Raja and Serge Dubrana **Relevant KPIs** › Pro forma revenue growth › Adjusted operating margin	Many of our 6,000 contracts are complex and vary in scope and length. They may incur penalties for non-performance or yield contract losses if the costs to deliver exceed the revenues. Good risk management control mechanisms and effective monitoring of delivery are required. These actions are intended to limit the reputational damage and financial impact to our revenue and profit.	We monitor all our major projects regularly through the year as part of our operational reviews at Group level. In 2011, we undertook a much more thorough review of contracts as outlined above. Our risk management process considers both project and operational risk, underpinned by a quality management system. The focus for 2012 will be establishing a more holistic framework for the systematic and consistent review and execution against contract performance across the organisation through an independent contract accounting function, stronger delivery assurance and stronger commercial support at the bidding stage.
Delivering our strategic change programmes to achieve operational excellence and improvements in operating margin **Executive responsibility in 2012:** Serge Dubrana **Relevant KPIs** › Outsourcing order backlog › Consulting and Professional Services book to bill › Adjusted operating margin	The market is increasingly demanding the ability to deliver globally. This in turn opens up the market to an increasing number of global players. An inability to demonstrate global process excellence in a timely manner in this environment would result in lower win rates, lower order backlog and book to bill at the bidding stage and lower revenue once in the delivery stage over the longer term, leading to our inability to meet our longer-term margin objectives.	As evidenced by our 2011 performance, we need to continue to strengthen our management of change programmes in 2012. Serge Dubrana was appointed as Chief of Operations in December 2011 to focus on this area. The consistent implementation of our global blueprint for how we run the business and the associated tools and processes, is key to mitigating this risk. The creation of an Investment Council run by Himanshu Raja and Serge Dubrana will also place stronger accountability on return on investments.
Business Continuity risks associated with information system and data security **Executive responsibility in 2012:** Serge Dubrana **Relevant KPIs** › Client satisfaction	Strong security is essential to protecting Logica's information and assets, and those of our clients. As well as direct damage, a physical or information security breach would undermine the reputation we have earned in this field. The gross risks in this area continue to increase and so we must continue to invest to address these.	In addition to investments in increased monitoring and threat protection, we continue to improve network access controls and focus on addressing the risk of data being leaked outside Logica through security awareness training across the organisation, and tight control of domestic and cross-border data protection issues.
Business Continuity risks associated with operational failure and information system availability **Executive responsibility in 2012:** Joe Hemming **Relevant KPIs** › Client satisfaction	Failure of internal support systems (including IT services), operational processes, management systems or controls could adversely affect Logica internally or have a direct impact on clients.	Infrastructure improvements and investment as well as transformation of our finance function is key to mitigation. We build in appropriate levels of resilience in technical infrastructure. Business continuity, service continuity and disaster recovery plans are in place and tested regularly. We have strong business-as-usual controls covering financial systems, Treasury, supplier payments and management reporting.

Review of medium controllability risks

The remaining three high or medium priority risks rely in part on our operational effectiveness, but also on external factors in the markets in which we operate. These are therefore less within our control.

In a tougher competitive environment, improving differentiation between Logica and our competitors was more of a challenge as all players stepped up their efforts to get closer to clients. We also constrained some investments in 2011 to mitigate the short-term risk to underlying margin. While we maintained our market position in most of our key markets, our client satisfaction declined. We made progress on people satisfaction despite a challenging environment. We introduced volunteering and community programmes as outlined in the responsibility and people sections.

To ensure we can make progress in 2012 against our longer-term goals of people and client satisfaction and sustainable margin improvement over the longer term, we are more carefully examining the prioritisation of our investments through a strengthened investment review process. This is aimed at driving the best returns. The tough decisions we took to restructure the business at the end of 2011 should provide more room to invest in our client offerings and people programmes, which are outlined in more detail on pages 8 to 11.

High or medium priority and medium controllability risks

Risks	Potential impact	How we mitigate it
Business Continuity risks associated with external events **Executive responsibility in 2012:** Serge Dubrana **Relevant KPIs** › Client satisfaction › Pro forma revenue growth › Adjusted operating margin	Continental or global influenza or related virus pandemic and terrorist attacks continue to be possible threats. Our wide geographic presence also means we could be exposed to political, financial, economic and social unrest. While generally outside our control, any of these incidents affecting a large number of employees or a group critical to a client project could impact our operations or our delivery against contract obligations. This could affect client confidence in and satisfaction with Logica, with any resulting lost business potentially affecting revenue and profitability.	We continued to assess the business continuity plans we maintain in light of events in several geographies. In 2011, we reacted to flooding in Australia, typhoons in the Philippines, hurricanes in the US, and the "Arab Spring" upheavals in North Africa. Our plans enabled us to continue without material impact on our operations or services to clients. We have also tested our local plans against a range of disaster scenarios.
Improving differentiation between Logica and our competitors **Executive responsibility in 2012:** Jean-Marc Lazzari **Relevant KPIs** › Outsourcing order backlog › Consulting and Professional Services book to bill	Logica's client intimacy strategy is to engage with our clients in a way that drives value and deepens the business relationship. Our focus is on solving business challenges and supporting business objectives rather than purely implementing technology. Logica aims to develop a unique and rewarding relationship that differentiates us from the competition, supporting new orders and revenue growth. The value we create protects us from commoditisation and drives margin improvement. We define how we choose to deliver value for our clients through a Client Value Proposition (CVP) widely understood through the business.	The client intimacy strategy depends on choosing clients who will work well with us and investing in the right offerings to drive sustained growth in our business with them. Logica develops a strong ecosystem through both partner and internal engagement, to provide a sustainable business relationship that drives value for all parties. We are deepening the adoption of our client engagement model through Logica.

High or medium priority and medium controllability risks

Risks	Potential impact	How we mitigate it
Risks related to Logica's People Vision and the Employee Value Proposition (EVP) **Executive responsibility in 2012:** Stephen Kelly **Relevant KPIs** › People satisfaction › Attrition › Nearshore and offshore headcount	Our ability to meet the demands of the market and compete effectively with other IT suppliers is, to a large extent, dependent on our ability to attract, retain, develop and effectively utilise the skills and commercial experience of our people. This impacts their performance contribution and attrition. Attrition can be both a plus and a minus in terms of refreshing talent and enriching Company capability but it requires focus, attentive management and strong leadership. Our ability to generate speed and agility with an appropriate balance of onshore, nearshore and offshore resources also affects client satisfaction. Our nearshore and offshore headcount and employee engagement indices are key performance indicators as the long-term sustainability of our business relies heavily on the competitive sourcing of motivated and inspired people who feel proud to be part of a long-term future committed to the delivery of value to our current and future clients.	These risks are proactively managed locally. We also then monitor these monthly in our business reviews. Our annual People Survey gives us a much more targeted view of pressure points in the business so that we can identify mitigation items. Our attrition has remained at reasonably healthy levels of 13-14% through 2011. More effort has been made to analyse key skill groups to be retained in the business through resource planning. Where specific skills have been required, targeted recruitment campaigns have been successful through 2011. We are implementing a global HR process based on Oracle 12 to address our HR needs and manage risks via our global shared service centre in Manila.

Review of other risks

We have two additional risks which are reviewed at Group level in the areas of 1) compliance with standards and regulation and 2) major client dependencies and regional market sector risks. Executive responsibility for these risks lies with Himanshu Raja and Jean-Marc Lazzari.

These are less directly controllable or regulatory areas where our management are supported by our advisers in ensuring we comply with standards and regulation or where the processes to comply are built into our underlying business processes. In 2011, the challenging Benelux and Eurozone markets created an exposure against which we, like other companies, were required to react and we adjusted our forecasts accordingly.

While there is little certainty that any changes to European currencies might result from the current Eurozone issues, we continue to seek advice and monitor the impact that any might have on our contracts and reported financials. Given that our costs and revenues are often both in local currency, we would not expect any major impact on underlying profitability. The Group's financial risk management is also outlined in note 26 on page 122.

Financial review

How we performed in 2011

2011 was a challenging year. In spite of a record order book of £4.6 billion and revenue up to £3.9 billion, adjusted operating profit* declined by 58% compared with the prior year. Our balance sheet is strong and following the restructuring announced in December 2011, the Group remains well placed in 2012.

Financial overview

Group orders reached £4,633 million for the full year (2010 actual: £3,972 million), with Outsourcing orders up 23% to £2,179 million.

Revenue for the full year was £3,921 million (2010 actual: £3,697 million), up 6% on an actual basis.

Adjusted operating profit* was £114 million (2010 actual: £272 million), with margin at 2.9% (2010 actual: 7.4%) including £39 million of contract charges and £93 million of restructuring charges announced on 14 December 2011. Underlying adjusted operating margin* was 6.2% (2010 pro forma: 7.3%)

In addition to the charges announced in December, the adjusted operating profit* also includes the benefit of a £7 million pension curtailment and £24 million of additional restructuring charges mainly taken in the first half of 2011.

After £59 million of charges, mainly related to amortisation of intangibles and £5 million of exceptional cost related to our Grupo Gesfor acquisition, operating profit was £55 million (2010 actual: £211 million). Operating margin was 1.4% (2010 actual: 5.7%).

Adjusted basic EPS* was 4.5p and underlying adjusted basic EPS* was 11.3p (2010 actual: 12.3p).

Full year cash conversion of 92% resulted in a net cash inflow from trading operations for the year of £226 million.

Closing net debt was £295 million (31 December 2010: £280 million). This represented net debt/EBITDA of 0.9x.

Dividend

The Board's policy is to ensure a return to shareholders which flows through our dividend policy, while continuing to provide sufficient funds to invest in the long-term sustainability of the business. As a result, the Board has reaffirmed its recommendation for a dividend payout ratio of at least 40%.

The proposed full year dividend of 4.4p (2010: 4.2p) represents a payout of around 39% of underlying adjusted EPS of 11.3p and a 5% increase in the full year dividend over last year. The directors are therefore proposing that the final dividend of 2.3p (2010: 2.3p) be paid on 16 May 2012 to eligible shareholders on the register at the close of business on 13 April 2012.

Outlook

We finished the year with a strong order performance with a number of significant long-term contracts signed both in the first and last quarters of 2011. We have a healthy multi-year order backlog that we will deliver over the next few years. Our Consulting and Professional Services book to bill remained solid through the second half at 112%. This was despite the pockets of weakness we saw at a client level through the second half of 2011, with some clients reducing discretionary spend in the face of an uncertain economic climate.

We continue to be cautious about the economic outlook in our main markets. Our guidance for 2012 remains unchanged, with revenue growth expected to be in the range of -2% to +2%.

Our restructuring programme is on track. In the Benelux and Sweden, we expect to see benefits as the bench reduces and utilisation improves with a large number of people leaving the business. Exits and the first phase of rationalisation of facilities in the Benelux will mainly occur through the second and third quarters of 2012 with £25 to £35 million of savings largely in the second half. This underpins our continued expectation that our Benelux business will return to profit in 2012; our Swedish business will deliver an improved margin and our IM business will be strongly competitive going forward. Overall, these actions lead us to a view that full year 2012 operating margin will be above 6.5% even if difficult market conditions prevail.

Our balance sheet is strong. After the 2012 cash impact of restructuring of between £60 to £70 million, the bulk of which will be in the first half of 2012, net debt/EBITDA at the end of 2012 is expected to be around 1.0x.

* Unless otherwise stated, underlying numbers for 2011 throughout the Financial review have been used for ease of comparison. For a definition of underlying, adjusted and pro forma numbers, see page 45.

Progress in key areas

Progress with clients

We continued to improve our position with clients and our investment in sales and marketing resulted in better qualification of our pipeline at the earlier stages.

Revenue from our top 50 clients was up 11% despite a difficult market. Second half growth slowed due to our Public Sector clients and we saw some softness at a client level in other sectors. Overall, revenue from our top 50 clients represented 44% of group revenue, compared to 42% at the end of 2010. Despite a growing concentration of revenue with our largest clients, this remains well spread with no client accounting for more than 3% of revenue.

For a view of our revenue growth by sector, see pages 16 and 17.

Progress on labour

Our Group headcount has risen to 41,784 (31 December 2010: 39,284 employees) with around 1,200 Grupo Gesfor employees joining Logica.

About 7,100 or 17% (2010 actual: 15%) of our total headcount was located in our nearshore and offshore centres, compared to 5,800 at the end of 2010. We have opened a second site in Bangalore and at the end of 2011, we are approaching 1,000 employees in the Philippines.

Gross recruitment in the second half was around 2,400 taking the overall number for the year to around 6,500. This was offset by attrition, which remained stable at around 13% and is broadly in line with industry averages.

Wage increases averaged around 3% across the business with a strong emphasis on retaining key skills. We continue to recruit new graduates and increase the use of offshore labour.

Progress on cash

The net cash inflow from trading operations was £226 million (2010 actual: £270 million), leading to a cash conversion ratio of 92% (2010 actual: 99%) on underlying adjusted operating profit of £247 million.

Group net debt at 31 December 2011 was £295 million (2010 actual: £280 million), leading to net debt/EBITDA of 0.9x in line with our guidance. We expect net debt/EBITDA at December 2012 to be around 1.0x including for the £60 to £70 million outflow relating to restructuring activities.

In December 2011 and January 2012, we signed a total of €150 million of new five-year bilateral bank facilities. This continued to diversify our sources and maturity of funding. Debt facilities currently stand at £872 million.

Himanshu Raja

Himanshu Raja
CFO

Service line performance

Outsourcing

	Six months to December			Twelve months to December		
	2011 £'m	2010 £'m	Change	**2011 £'m**	2010 £'m	Change
Backlog at end of period	**2,632**	2,270	16%	**2,632**	2,270	16%
Orders	**950**	817	16%	**2,179**	1,776	23%
Underlying revenue	**879**	821	7%	**1,757**	1,614	9%
Underlying adjusted operating profit	**71**	66	8%	**125**	118	6%
Underlying adjusted operating margin %	**8.1**	8.0	10bps	**7.1**	7.3	(20)bps
Orders by type						
Applications Management (AM)	**531**	449	18%	**1,062**	957	11%
Infrastructure Management (IM)	**294**	321	(8)%	**712**	708	1%
Business Process Outsourcing (BPO)	**125**	47	166%	**405**	111	265%
Underlying revenue by type						
Applications Management	**444**	420	6%	**909**	826	10%
Infrastructure Management	**338**	325	4%	**666**	638	4%
Business Process Outsourcing	**97**	76	28%	**182**	150	21%

Outsourcing orders were up 23%, driving outsourcing order backlog up 13% to £2.6 billion (end 2010: £2.3 billion). BPO and Applications Management remained the fastest growing areas. In the second half, we saw good growth particularly in the UK on the back of the BAE Systems HR BPO contract win.

Full year underlying revenue was up 9% to £1,757 million and represented 45% of Group revenue (2010: 43%). Our largest areas, Applications and Infrastructure Management, both grew well. Our BPO revenue was up 21% in the year to 10% of total outsourcing revenue.

Underlying adjusted operating profit was £125 million, reflecting an underlying adjusted operating margin of 7.1%.

Consulting and Professional Services

	Six months to December			Twelve months to December		
	2011 £'m	2010 £'m	Change	**2011 £'m**	2010 £'m	Change
Book to bill %	**113**	108	n.a.	**112**	105	n.a.
Orders	**1,212**	1,100	10%	**2,454**	2,314	6%
Underlying revenue	**1,078**	1,086	(1)%	**2,193**	2,192	0%
Underlying adjusted operating profit	**63**	85	(26)%	**122**	161	(24)%
Underlying adjusted operating margin %	**5.8**	7.9	(210)bps	**5.5**	7.3	(180)bps

Consulting and Professional Services achieved a solid book to bill ratio of 112%, with orders up 6% on last year. Revenue for the full year was flat on 2010. In the second half, revenue was down 1% to £1,078 million, reversal of the 1% growth we saw during the first six months of the year. As the result of the weakness in Sweden and the Benelux and the incorporation of restructuring charges during the first half, the underlying adjusted operating profit was £122 million with an underlying adjusted operating margin of 5.5%.

Revenue mix in this part of the business continued to shift in 2011, with Business Consulting revenue up 14%. It now represents 20% of the Consulting and Professional Services total revenue and about 9% of total group headcount, with 3,700 people at the end of 2011. Within Business Consulting, we continue to recruit capability in our Microsoft Cloud, Customer Analytics and Business Intelligence practices, although we are being cautious in light of uncertain demand.

Segmental performance

France

	Six months to December			Twelve months to December		
	2011 £'m	2010 £'m	Change	**2011 £'m**	2010 £'m	Change
Reported						
Consulting and Professional Services book to bill %	**130**	117	n.a.	**119**	111	n.a.
Orders	**558**	468	19%	**1,056**	949	11%
Revenue	**420**	409	3%	**875**	824	6%
Adjusted operating profit	**33**	36	(8)%	**74**	69	7%
Adjusted operating margin %	**7.9**	8.7	(80)bps	**8.5**	8.4	10bps
Underlying						
Revenue	**423**	409	3%	**878**	824	7%
Adjusted operating profit	**36**	36	0%	**77**	69	12%
Adjusted operating margin %	**8.5**	8.7	(20)bps	**8.8**	8.4	40bps
Revenue analysis:						
By sector						
Transport, Trade and Industrial	**172**	154	12%	**346**	314	10%
Financial Services	**113**	108	5%	**225**	211	7%
Other sectors	**138**	147	(6)%	**307**	299	3%
By service line						
Outsourcing	**190**	182	4%	**398**	356	12%
Consulting and Professional Services	**233**	227	3%	**480**	468	3%

For the first time, orders in France exceeded £1 billion ending at £1,056 million. A strong finish to the year was driven by good orders in both Outsourcing and Consulting and Professional Services, including a contract for the implementation of the first open data portal launched by the French Government. We expect to see some slowing in decision making in Financial Services and in the Public Sector ahead of the election in 2012.

Underlying revenue for the full year was up 7% to £878 million above the market and one of the strongest in the group. In the second half, the level of growth was 3%, lower than during the first six months as a result of the conclusion of several projects in the Energy and Utilities sector. Our largest sector, Transport, Trade and Industrial reached double-digit growth for the full year as demand in the retail and transportation arenas continued to be strong during the second half. Underlying adjusted operating margin was 8.8%.

On a reported basis, margin was 8.5%, including £3 million of contract charges taken in December. This was slightly above 2010 as we focused on higher margin services and expanded the use of our blended delivery approach with our clients.

Northern and Central Europe

	Six months to December 2011 £'m	Six months to December 2010 £'m	Six months to December Change	Twelve months to December 2011 £'m	Twelve months to December 2010 £'m	Twelve months to December Change
Reported						
Consulting and Professional Services book to bill %	**116**	99	n.a.	**116**	103	n.a.
Orders	**436**	434	0%	**896**	921	(3)%
Revenue	**426**	413	3%	**860**	805	7%
Adjusted operating profit	**35**	36	(3)%	**65**	62	5%
Adjusted operating margin %	**8.2**	8.8	(60)bps	**7.5**	7.7	(20)bps
Underlying						
Revenue	**426**	413	3%	**860**	805	7%
Adjusted operating profit	**37**	36	3%	**67**	62	8%
Adjusted operating margin %	**8.7**	8.8	(10)bps	**7.8**	7.7	10bps
Revenue analysis:						
By sector						
Transport, Trade and Industrial	**150**	119	26%	**297**	262	13%
Public Sector	**124**	119	4%	**244**	238	3%
Other sectors	**152**	175	(13)%	**319**	305	5%
By service line						
Outsourcing	**134**	127	6%	**278**	242	15%
Consulting and Professional Services	**292**	286	2%	**582**	563	3%

Orders for the full year were down 3%. Outsourcing orders were down 33% against strong comparatives offset by good second half order intake in Consulting and Professional Services. Overall, Consulting and Professional Services finished the year with a book to bill of 116%, with a number of smaller wins across the cluster. Among the orders recorded during the year were orders with eToll audit in Poland and the National digital library in Czech Republic. Since the end of December, we have signed a seven-year Outsourcing BPO contract for meter-2-cash and customer management services for a Danish utility, Tre-for.

For the full year, underlying revenue was up 7% to £860 million, with growth of 9% in Finland and 8% in Germany. Revenue in Norway was broadly stable.

As expected, we saw a lower level of revenue growth in the second half, up 3% to £426 million. Excellent performance with our Transport, Trade and Industrial clients compensated for the decline in the Telecoms sector. Finland and Germany were up 5% and 3.5% respectively in the second half of the year and Denmark reached a steady state of business entering into the second year of the PostNord contract.

On a reported basis, margin was 7.5%, slightly below 2010 due to a £2 million restructuring charge we took in December relating to the IM business. Underlying operating margin was broadly stable on 2010 at 7.8%.

Utilisation remained strong and we made progress on expanding the use of our blended delivery approach and increased our focus on service delivery.

UK

	Six months to December			Twelve months to December		
	2011 £'m	2010 £'m	Change	**2011 £'m**	2010 £'m	Change
Reported						
Consulting and Professional Services book to bill %	**129**	96	n.a.	**128**	92	n.a.
Orders	**498**	248	101%	**1,179**	551	114%
Revenue	**364**	342	6%	**725**	709	2%
Adjusted operating profit	**2**	34	(94)%	**16**	60	(73)%
Adjusted operating margin %	**0.7**	10.0	n.a.	**2.2**	8.5	n.a.
Underlying						
Revenue	**381**	342	11%	**742**	709	5%
Adjusted operating profit	**33**	34	(3)%	**47**	60	(22)%
Adjusted operating margin %	**8.8**	10.0	(120)bps	**6.3**	8.5	(220)bps
Revenue analysis:						
By sector						
Public Sector	**210**	209	0%	**418**	439	(5)%
Energy and Utilities	**93**	50	86%	**163**	108	51%
Other sectors	**78**	83	(6)%	**161**	162	0%
By service line						
Outsourcing	**223**	183	22%	**425**	377	13%
Consulting and Professional Services	**158**	159	(1)%	**317**	332	(5)%

The volume of orders signed during 2011 reached £1,179 million, more than double the £551 million of 2010. This was a result of two 10-year contracts booked in the first quarter in 2011 with the Serious Organised Crime Agency and Shell as well as a number of contract extensions with existing clients in the fourth quarter.

Underlying revenue for the full year was up 5% to £742 million, driven by a 20% revenue increase in the commercial sectors. Public sector was flat in the second half of the year. The build phase on a number of contracts saw full year revenue grow more than 15% in Financial Services and Telecoms and a strong performance in Energy and Utilities.

On an underlying basis, excluding restructuring, margin was 6.3% (2010: 8.5%).

On a reported basis, margin was 2.2%. This is after the £10 million restructuring charge we took in the first half of 2011 as well as the £28 million of the contract charges and £3 million of the restructuring charges we announced in December.

Sweden

	Six months to December 2011 £'m	2010 £'m	Change	Twelve months to December 2011 £'m	2010 £'m	Change
Reported						
Consulting and Professional Services book to bill %	**101**	113	n.a.	**109**	125	n.a.
Orders	**300**	323	(7)%	**628**	797	(21)%
Revenue	**300**	303	(1)%	**622**	605	3%
Adjusted operating profit	**(18)**	24	n.a.	**(9)**	41	n.a.
Adjusted operating margin %	**(6.1)**	7.9	n.a.	**(1.4)**	6.7	n.a.
Underlying						
Revenue	**300**	303	(1)%	**622**	605	3%
Adjusted operating profit	**13**	24	(46)%	**23**	41	(44)%
Adjusted operating margin %	**4.4**	7.9	n.a.	**3.6**	6.7	n.a.
Revenue analysis:						
By sector						
Transport, Trade and Industrial	**142**	136	4%	**292**	269	9%
Public Sector	**81**	81	0%	**165**	164	1%
Other sectors	**77**	86	(10)%	**165**	172	(4)%
By service line						
Outsourcing	**189**	185	2%	**374**	360	4%
Consulting and Professional Services	**111**	118	(6)%	**248**	245	1%

After four consecutive quarters of orders decline, we saw a positive end to the year. Fourth quarter orders were up 1% on 2010 as we renewed a series of Outsourcing orders with our clients in the Public Sector and Transport, Trade and Industrial. We signed contracts with new clients such as the Swedish Pensions Agency, which runs for five years with an opportunity to extend by two years and an estimated value of £13 million.

Underlying revenue for the full year was up 3%. However, the second half was down 1% against tougher comparatives and continuing weakness in most commercial sectors.

The underlying margin was 3.6% (2010: 6.7%). The margin was particularly impacted by the transition of a number of large contracts and the short-term use of extra resources including subcontracting to support these transitions.

On a reported basis, margin for the full year was (1.4)%. In December, we took a restructuring charge of £31 million in order to accelerate the transformation of our IM business and prepare the business to face a more uncertain economic environment. This resulted in a full year loss of £9 million compared to a £41 million profit in 2010.

We expect our Swedish business to deliver an improved margin in 2012 and our IM business to be strongly competitive going forward.

Benelux

	Six months to December			Twelve months to December		
	2011 £'m	2010 £'m	Change	**2011 £'m**	2010 £'m	Change
Reported						
Consulting and Professional Services book to bill %	**113**	108	n.a.	**106**	103	n.a.
Orders	**237**	257	(8)%	**586**	525	12%
Revenue	**222**	240	(8)%	**464**	490	(5)%
Adjusted operating profit	**(73)**	2	n.a.	**(72)**	14	n.a.
Adjusted operating margin %	**(33.1)**	0.9	n.a.	**(15.6)**	2.9	n.a.
Underlying						
Revenue	**231**	240	(4)%	**473**	490	(4)%
Adjusted operating profit	**(8)**	2	n.a.	**(7)**	14	n.a.
Adjusted operating margin %	**(3.3)**	0.9	n.a.	**(1.4)**	2.9	n.a.
Revenue analysis:						
By sector						
Financial Services	**63**	75	(16)%	**134**	147	(9)%
Public Sector	**69**	75	(8)%	**140**	162	(14)%
Transport, Trade and Industrial	**49**	44	11%	**102**	87	17%
Other sectors	**50**	46	9%	**97**	94	3%
By service line						
Outsourcing	**45**	39	15%	**85**	79	8%
Consulting and Professional Services	**186**	201	(7)%	**388**	411	(6)%

Orders for the full year were up 12%. This was due to good Outsourcing wins in the first half with Ahold and a Financial Services client, combined with the highest order intake in Consulting and Professional Services since the end of 2008, finishing the year with a book to bill of 106%. The underlying revenue fell from £490 million in 2010 to £473 million in 2011 which resulted in a negative underlying adjusted operating margin of (1.4)%.

Since the end of the third quarter, we continued to see further deterioration with our Financial Services clients, ending the fourth quarter 20% below the fourth quarter of 2010. Over the second half, we have seen good momentum in all other commercial sectors up 10% on last year. While the quarterly rate of revenue in the Public Sector was broadly stable through 2011, revenue was down 8% on second half of 2010. Utilisation was in the low to mid seventies through the second half of 2011.

The full year saw a loss of £72 million on a reported basis. This included the accounting for the profit benefit of a curtailment gain of £7 million following the closure of the CMG Netherlands Defined Benefit Pension Scheme to future salary accruals; the cost of restructuring charges taken in the first half and in December totalling £57 million; and finally £9 million of contract charges.

International

	Six months to December			Twelve months to December		
	2011 £'m	2010 £'m	Change	**2011 £'m**	2010 £'m	Change
Reported						
Consulting and Professional Services book to bill %	**48**	136	n.a.	**70**	102	n.a.
Orders	**139**	183	(24)%	**287**	352	(18)%
Revenue	**196**	200	(2)%	**375**	373	1%
Adjusted operating profit	**22**	19	16%	**40**	31	29%
Adjusted operating margin %	**11.1**	9.5	160bps	**10.7**	8.4	230bps
Underlying						
Revenue	**196**	200	(2)%	**375**	373	1%
Adjusted operating profit	**22**	19	16%	**40**	31	29%
Adjusted operating margin %	**11.1**	9.5	160bps	**10.7**	8.4	230bps
Revenue analysis:						
By sector						
Energy and Utilities	**121**	121	0%	**244**	234	4%
Financial Services	**24**	28	(14)%	**42**	40	5%
Other sectors	**51**	51	0%	**89**	99	(10)%
By service line						
Outsourcing	**98**	105	(7)%	**197**	200	(2)%
Consulting and Professional Services	**98**	95	3%	**178**	173	3%

Orders for the second half were down 24% on 2010, against strong comparatives in 2010 when we renewed a number of major contracts.

Underlying revenue for the International cluster was up 1% at £375 million (2010: £373 million).

Iberia revenue accounted for 33% (2010: 33%) of the total at £122 million and was down 1% in a difficult economic environment. Approximately £28 million of revenue from our acquisition of Grupo Gesfor was consolidated, predominantly in Iberia.

Rest of World revenue was up 1% to £252 million. Australia remains the largest component in the Rest of World cluster. Good growth in the US was offset by weakness in Australia.

Adjusted operating margin was 10.7%, up from last year (2010: 8.4%), when a £5 million charge was taken related to project overruns in the Brazilian business. Margin was underpinned by tight cost management and high utilisation rates in our key geographies.

Financial position and other information

Summary cash flow

	Twelve months to December	
	2011 £'m	2010 £'m
Adjusted operating profit	**114**	272
Depreciation and amortisation of intangibles not recognised on acquisition	**65**	58
Movement in working capital	**(63)**	(56)
Other non-cash movements	**(22)**	(4)
Non-cash movements from restructuring and contract charges	**132**	0
Net cash inflow from trading operations	**226**	270
Cash conversion on underlying adjusted operating profit	**92%**	99%
Cash flow related to restructuring and other non-operating items	**(14)**	(45)
Net financing cost paid	**(15)**	(16)
Income tax paid	**(36)**	(51)
Capex less disposals of property, plant & equipment and intangible assets	**(79)**	(74)
Impact of acquisitions and disposals	**(27)**	(6)
Dividends paid to shareholders	**(70)**	(67)
Opening net debt	**(280)**	(291)
Closing net debt	**(295)**	(280)

Financial position

The net cash inflow from trading operations was £226 million (2010 actual: £270 million inflow), driven by lower operating profit offset by non-cash movements related to the charges announced in December. This represented 92% cash conversion, which has been calculated using the underlying adjusted operating profit in order to take into account the non-cash impact of the contract and restructuring charges. The movement in working capital was an outflow of £63 million which was materially driven by the growth in outsourcing.

Payment in respect of dividends was £70 million (2010: £67 million).

The net debt number includes £27 million related to our acquisition of Grupo Gesfor.

Net debt at 31 December 2011 was £295 million with leverage of 0.9x, in line with our guidance.

Other information

Profit before tax and earnings per share

Profit before tax was £33 million (2010 actual: £193 million). Basic adjusted earnings per share from continuing operations were 4.5p (2010: 12.3p) on a weighted average number of shares of 1,597 million (2010: 1,589 million). Basic earnings per share from continuing operations were 1.7p (2010: 9.6p). All operations were continuing.

Taxation

The effective tax rate, before exceptional items and amortisation of intangible assets initially recognised on acquisition, was 23% (2010: 23%). The total tax charge for the year ended 31 December 2011 was £5.5 million (2010: £41 million). The overall tax rate for the period was 16.8% (2010: 21%).

The effective tax rate for 2012 is expected to be at around 24%.

Acquisitions

On 24 May 2011, Logica completed the acquisition of Grupo Gesfor, a privately held Spanish consulting and professional services business. Grupo Gesfor has around 1,200 employees and operations in Spain and across Latin America. Approximately £28 million of revenue has been consolidated in the year ended 31 December 2011. Grupo Gesfor had combined revenues of €64 million (£55 million) for the year ended 31 December 2010. The total cost is expected to be up to €31 million (£25 million) of which €24 million (£21 million) was paid in cash upon completion. We had a £17 million cash outflow, net of cash acquired, related to the acquisition in the first half.

Notes to this section

Notes to this section:
Underlying numbers have been included where appropriate for ease of comprehension and reflect numbers before the impact of £39 million of contract charges and £93 million of restructuring charges announced on 14 December 2011.

Reconciliation between reported and underlying results

Revenue	Six months to December 2011 Reported revenue £'m	Six months to December 2011 Contract charges £'m	Six months to December 2011 Underlying revenue £'m	**Twelve months to December 2011 Reported revenue £'m**	**Twelve months to December 2011 Contract charges £'m**	**Twelve months to December 2011 Underlying revenue £'m**
France	420	3	423	**875**	**3**	**878**
N&C Europe	426	0	426	**860**	**0**	**860**
United Kingdom	364	17	381	**725**	**17**	**742**
Sweden	300	0	300	**622**	**0**	**622**
Benelux	222	9	231	**464**	**9**	**473**
International	196	0	196	**375**	**0**	**375**
Total	1,928	29	1,957	**3,921**	**29**	**3,950**

Reconciliation between reported and underlying results

Operating profit	Six months to December 2011 Adjusted operating profit/(loss) £'m	Six months to December 2011 Contract charges £'m	Six months to December 2011 Restructuring charges £'m	Six months to December 2011 Underlying adjusted operating profit/(loss) £'m	**Twelve months to December 2011 Adjusted operating profit £'m**	**Twelve months to December 2011 Contract charges £'m**	**Twelve months to December 2011 Restructuring charges £'m**	**Twelve months to December 2011 Underlying adjusted operating profit/(loss) £'m**
France	33	3	0	36	**74**	**3**	**0**	**77**
N&C Europe	35	0	2	37	**65**	**0**	**2**	**67**
United Kingdom	2	28	3	33	**16**	**28**	**3**	**47**
Sweden	(18)	0	31	13	**(9)**	**0**	**31**	**23**
Benelux	(73)	9	57	(8)	**(72)**	**9**	**57**	**(7)**
International	22	0	0	22	**40**	**0**	**0**	**40**
	1	39	93	134	**114**	**39**	**93**	**247**

Book to bill percentage is a measure of the level of orders relative to revenue in the period.

Unless otherwise stated, comparatives are related to the pro forma numbers. Pro forma numbers are on the following basis:

- They reflect average 2011 exchange rates by retranslating prior period actual numbers at average 2011 exchange rates. This increased 2010 revenue by £87 million and adjusted operating profit by £5 million.
- They are adjusted to include the acquisition and disposals that took place during 2010 and 2011 by adjusting the actual prior period numbers for the relevant period owned. This increased 2010 revenue by £22 million and increased adjusted operating profit by £1 million.
- They include a number of changes to the scope of outsourcing activities in some of our geographies.

Note 8 on page 107 and note 15 on page 110 provides a definition of adjusted operating profit, margin and EPS. Adjusted operating profit is used in the calculation of the following measures:

- Our cash conversion, which represents net cash inflow from trading operations divided by underlying adjusted operating profit. Net cash inflow from trading operations is cash generated from operations before cash flows from proceeds on forward contracts, the purchase of property, plant, equipment, intangibles and restructuring and integration activities.

Governance

Effective governance focused on risk management and Logica's long-term strategy is key to delivering sustainable value creation for our shareholders.

Logica in ten: people

People satisfaction was up by 5% and engagement up 4% in Logica People Survey, as at January 2012 (based on 30,698 responses).

See and hear more online:
annualreport.logica.com/our-stories/

Dear shareholder

We believe that Logica can create sustainable value over the medium and longer term. We are focused above all on the quality of our execution in order to achieve this.

I would like to take this opportunity to thank all of our people on behalf of the Logica Board for their commitment and hard work in what was a difficult year. It is often the case that people have to work even harder in challenging times. That was certainly the case this year and I thank everyone for their resilience and effectiveness in these conditions.

We won £4.6 billion of orders this year – our highest ever – and we achieved solid growth in revenue to £3.9 billion. Both of these were encouraging. However, profitability was significantly weaker with adjusted operating profit* falling to £114 million from £278 million in 2010, largely because we took restructuring and contract charges totalling around £132 million.

The Board undertook a thorough review of our longer-term strategy in the autumn in the light of a continued competitive environment and poor economic conditions in our major markets. Our review reaffirmed our belief in our existing strategic direction, but emphasised the need for some adjustments to the plan and stronger focus on effective execution. We therefore accelerated our restructuring plans to position the business for the conditions ahead.

It is with real regret that we made the decision to restructure 1,300 jobs. However, we believe this will create a more sustainable future for this business and the vast majority of our 41,000 people.

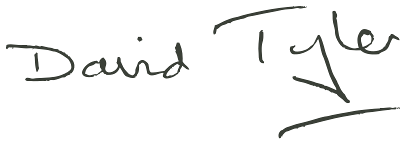
We also took a charge of £39 million against contracts with our clients where unfortunately we now expect to incur losses. Our collective management of risk should have done a better job in protecting us. We have initiated improvements in our organisation and processes to help avoid a repeat of these issues.

As tough as the decisions of 2011 were, we believe that the quality of the debate we had at the Board and executive management level was high. This was enhanced by an important addition to the Board in 2011, with the appointment of Himanshu Raja as our new CFO. We welcome him to Logica. He has made a vigorous start in increasing operational rigour and adding to the quality of the finance team.

We also benefited from a constructive dialogue with our shareholders around taking the right decisions for the long-term sustainability of the business and the cashflow returns Logica is capable of generating. The changes to the measures used in our incentive programmes reflect the discussions we had.

Our balance sheet remains strong. Even after the cash impact of restructuring in 2012, net debt/EBITDA at the end of the year will be around 1.0x. To signal our confidence in Logica's prospects, we have announced that the proposed final dividend will remain unchanged at 2.3p. This takes the full year dividend to 4.4p, which represents an increase of 5% over 2010. We have reconfirmed our commitment to a dividend payout of at least 40% of underlying adjusted EPS* in 2012.

It is a challenging environment. However, we believe that the business can create sustainable value over the medium and longer term. We are focused now above all on the quality of our execution in order to achieve this.



David Tyler
Chairman

* Unless otherwise stated, underlying numbers for 2011 have been used for ease of comparison. For definition of underlying, adjusted and pro forma numbers, see page 45.

We have a strong and diverse Board

The appointments we have made over the past few years have strengthened our Board and have brought additional depth and diversity of experience. The Board is committed to providing good governance and works closely with our Executive Committee to ensure the long-term health of Logica.

Logica Board structure at 1 January 2012

Board leadership

Chairman: 1
Senior Independent Director: 2

Board Committee leadership

Nominations Committee Chairman: 1
Remuneration Committee Chairman: 4
Audit Committee Chairman: 3
Executive Committee Chairman: 7

Other Board Committee members

Nominations Committee: 2 3 4 7
Remuneration Committee: 1 6
Audit Committee: 2 5
Executive Committee: 8 9

Logica Board structure at 1 January 2012

- **Seamus Keating** Appointed 19.02.02
- **Noël Harwerth** Appointed 01.01.07
- **Dr Wolfhart Hauser** Appointed 01.01.07
- **David Tyler** Appointed 18.07.07
- **Andy Green** Appointed 01.01.08
- **Sergio Giacoletto** Appointed 24.02.09
- **Frédéric Rose** Appointed 30.04.09
- **Jan Babiak** Appointed 01.01.10
- **Himanshu Raja** Appointed 05.09.11

Executive Director
Non-Executive Director

1 David Tyler

Non-Executive Chairman

Chairman, Nominations Committee; Member, Remuneration Committee

Key strengths: Extensive board, financial and general management experience having worked in the FMCG, finance, services and retail sectors

Joined Logica: 2007

Previous board and management experience: Finance Director, GUS plc; Finance Director, Christie's International plc; Non-Executive Director, Reckitt Benckiser plc; Chairman, 3i Quoted Private Equity Limited; Senior financial and general management positions with Unilever plc and County NatWest Limited

Current external commitments and relevant qualifications: Non-Executive Chairman, J Sainsbury plc; Non-Executive Director and Remuneration Committee Chairman, Burberry Group plc; Non-Executive Director, Experian Group Limited; MA in Economics, Cambridge University; Fellow, Chartered Institute of Management Accountants; Member, Association of Corporate Treasurers

2 Sergio Giacoletto

Non-Executive Director

Senior Independent Director; Member, Audit Committee; Member, Nominations Committee

Key strengths: International board and executive management IT sector experience, having served on various company boards and advisory councils

Joined Logica: 2009

Previous board and management experience: Executive Vice President (Europe, Middle East and Africa) and Executive Committee member, Oracle Corporation; President, Value Added Services, AT&T; Senior management and executive roles, Digital Equipment Corporation

Current external commitments and relevant qualifications: Non-Executive Chairman, Telepo AB; Senior Independent Director, Colt Group SA; Non-Executive Director, CSR plc and Oberthur Technologies SA; Operating Partner, Advent International; Masters degree in Computer Science, University of Turin

3 **Jan Babiak**
Non-Executive Director
Chairman, Audit Committee; Member, Nominations Committee; Member, Corporate Responsibility Committee

Key strengths: Strong track record in risk management and information security control; insight into technology and climate change and their impact on business

Joined Logica: 2010

Previous board and management experience: Partner; Managing Partner for Technology, Security Risk Services and Global Climate Change/Sustainability Services, Ernst and Young

Current external commitments and relevant qualifications: Chartered Accountant (ICAS and ICAEW); Certified Public Accountant (CPA) (USA); Certified Information Systems Auditor; Certified Information Security Manager (CISA, CISM) (Int'l); Board Member, Committee of 200 Foundation; Council Member and Corporate Responsibility Advisory Group member, ICAEW; CBI's First Woman of Technology, 2005; BBA (Accounting), University of Oklahoma; MBA, Baldwin-Wallace College, Ohio

4 **Noël Harwerth**
Non-Executive Director
Chairman, Remuneration Committee; Member, Nominations Committee; Member, Corporate Responsibility Committee

Key strengths: Extensive international board experience, including corporate governance (UK and USA), international finance and risk management

Joined Logica: 2007

Previous board and management experience: Chief Operating Officer, Citibank International plc (London)

Current external commitments and relevant qualifications: Non-Executive Director and Chairman, Sumitomo Mitsui Banking Corporation Europe; Non-Executive Director, RSA Insurance Group plc, LME Holdings Limited and Harry Winston Inc; Juris Doctor degree, University of Texas Law School

5 **Dr Wolfhart Hauser**
Non-Executive Director
Member, Audit Committee

Key strengths: FTSE 100 and German private company executive management experience having established, grown and led a range of successful international service businesses

Joined Logica: 2007

Previous board and management experience: Non-Executive Director, Intertek Group plc; CEO, TÜV Product Service GmbH; CEO, TÜV Süd AG

Current external commitments and relevant qualifications: CEO, Intertek Group plc; Masters degree, Ludwig Maximilians University; Medical Doctorate, Technical University, Munich

6 **Frédéric Rose**
Non-Executive Director
Member, Remuneration Committee

Key strengths: Extensive international board and senior management experience in the IT sector with established track record of building winning teams

Joined Logica: 2009

Previous board and management experience: President, Europe, Asia and Africa Region, Alcatel-Lucent; Executive Committee Member, Alcatel-Lucent; President, Alcatel Shanghai Bell (flagship joint venture, China)

Current external commitments and relevant qualifications: CEO of Technicolor SA; Graduate, Georgetown University, School of Foreign Service; Juris Doctor degree, Georgetown University Law Center

7 **Andy Green,**
8 **Himanshu Raja**, and
9 **Seamus Keating**
our Board Executive Directors, are profiled on pages 50 and 51.

We have excellent people in place

Our Executive Committee is the most senior committee in Logica, overseeing all operational matters and recommending strategy to the Board. It is essential that we have the right people in the right positions to deliver our strategy.

Logica Executive Committee from 1 January 2012

Sector leadership

EUT 10	TTI 11	
PS 13	O+G 16	FS 9

Regional leadership

N&CE 10	UK 11	International 7
Sweden 13	Benelux 9	France 15

Service lines

Business Consulting 16	Outsourcing Services 13

Functional and executive leadership

Chief Executive Officer 7	Chief Financial Officer 8	Chief of Operations 12
Chief Client Officer 15	Chief People Officer 14	

7 Andy Green
Chief Executive Officer
Board Executive Director

Key strengths: International business leadership; FTSE 100 and NYSE Euronext Board experience; strategic vision; deep operational leadership

Joined Logica: 2008 as Chief Executive Officer

Experience in IT services: More than 10 years in IT services management and as an IT services customer

Previous management experience: Board member and CEO, BT Global Services (2001-2007); Board member and CEO of Group Strategy and Operations, BT plc; CEO, BT Openworld

Current external commitments and relevant qualifications: Non-Executive Director of ARM Holdings plc; Chair of e-skills UK: Member of CBI Board and member of President's Committee; Companion of the Chartered Management Institute; co-Chair of the UK government's Space Leadership Team

Most important contributions in 2011: Improved Logica's market positioning by deepening our engagement with ecosystem partners and driving client intimacy with existing clients to deliver a record order book

8 Himanshu Raja
Chief Financial Officer
Board Executive Director

Key strengths: Extensive financial and operational experience; risk management; transformation expertise; rigorous control and risk management, financial systems expertise

Joined Logica: 2011 as Chief Financial Officer

Experience in IT services: More than 20 years in telecoms and IT services management

Previous management experience: CFO at BT Global Services; Group Capital Controller and CFO for BT Innovate and Design; CFO of BT Operate and BT Wholesale; Senior Finance roles at Verizon, MCI, UUNET and MFS

Current external commitments and relevant qualifications: Member of the Institute of Chartered Accountants in England and Wales (ICAEW)

Most important contribution in 2011: Brought enhanced financial discipline and operational rigour to Logica, particularly through a review of the top contracts within the business which was concluded in December 2011

We continue to leverage the capabilities we have brought together and seek to add new capabilities under a clear succession plan. This ensures we have the right leadership team to inspire our people to succeed. In 2011, Himanshu Raja joined Logica as CFO, Gary Bullard took over as President of our UK business and Joe Hemming assumed the leadership of Sweden in addition to his existing responsibilities.

9 **Seamus Keating**
Executive Partner Financial Services and President Benelux
Board Executive Director

Key strengths: Deep operational and financial knowledge; strategic and financial planning; external stakeholder communications; delivery of restructuring and integration cost synergies; contract and M&A negotiation; risk management

Joined Logica: 1999 as Director, Group Finance

Experience in IT services: More than 20 years in finance in IT services businesses at Logica, Olivetti and Getronics

Previous management experience: CFO, Logica; Finance Director, Olivetti Solutions (ultimately acquired by Getronics)

Current external commitments and relevant qualifications: Non-Executive Director of Mouchel Group plc; Fellow of the Chartered Institute of Management Accountants (CIMA)

Most important contribution in 2011: Secured a key deal with the signature of the Ahold HR BPO contract to transform the Dutch business to a higher mix of longer-term Outsourcing and shorter-term Consulting and Professional Services work

10 **João Baptista**
Executive Partner Energy, Utilities and Telecoms and President Northern and Central Europe

Key strengths: International business leadership; management in multi-cultural environments; strategic analysis and insight; management of subsidiaries and joint ventures; operational leadership

Joined Logica: 2008 as CEO, International

Experience in IT services: More than 30 years in telecoms, technology, IT services sectors, media and engineering sectors across multiple geographies including the US, Brazil, China and EMEA

Previous management experience: Board Director, Chairman and CEO of PT Investimentos Internacionais (part of Portugal Telecom); Vice-President, Booz Allen Hamilton; Global Leader (TICE), Marsh & McLennan; Managing Director and Practice leader, Mercer Management Consulting (renamed Oliver Wyman)

Current external commitments and relevant qualifications: Trustee and Member of Audit Committee, Victoria and Albert Museum

Most important contribution in 2011: Carried out a comprehensive programme to adopt common processes across Northern and Central Europe, aligning countries fully with OneLogica practices, while delivering strong financial performance

11 **Gary Bullard**
Executive Partner Transport, Trade and Industrial and President UK

Key strengths: Client engagement; global business management; broad leadership experience; employee engagement and development

Joined Logica: 2011 as CEO, UK

Experience in IT services: More than 30 years' experience in the IT and telecoms industry

Previous management experience: Senior international executive positions at IBM, including General Manager, Global Solutions; President, BT Global Services; Interim Chief Client Officer, Logica

Current external commitments and relevant qualifications: Founding chairman of Catquin; Non-Executive Director and Chairman of the remuneration committee of Rotork plc

Most important contribution in 2011: Quickly established as a member of the Executive Committee and President of Logica in the UK

12 **Serge Dubrana**
Chief of Operations

Key strengths: International leadership experience; strong track record in consulting and systems integration; business transformation and change management; operational leadership

Joined Logica: 1985
as Head of Industry Business Unit

Experience in IT services: More than 20 years of IT services consulting and management at Logica and Unilog

Previous management experience: Chief Executive, Technology and Alliances, Logica; Chief Executive, Systems Integration and Outsourcing, Logica France; CEO, Unilog Germany; Head of Industry Business Unit, Unilog

Most important contribution in 2011: Achieved significant growth of offshore operations, with headcount increase of 22%. Drove the Gesfor acquisition to build our presence in Spain and strengthen our reach into Latin America

13 **Joe Hemming**
Executive Partner Public Sector and President Outsourcing Services and Sweden

Key strengths: Broad leadership skills; strong track record of managing business transformation and building sustainable high performance teams; extensive commercial and risk management experience; innovation in public sector; major deal negotiation

Joined Logica: 1995
as Commercial Director, UK Public Sector

Experience in IT services: More than 25 years in IT service management with Easams and Logica (UK and North America)

Previous management experience: CEO, UK; Managing Director, Logica UK Space and Defence; Commercial Director, Logica UK; COO Logica North America; senior positions at GEC (Easams/Marconi)

Most important contribution in 2011: Continued to deliver growth above the market for our global Outsourcing business and executive sponsor for our major fuel cards contract win with Shell

14 **Stephen Kelly**
Chief People Officer

Key strengths: People leadership; HR transformation and change management; innovation; broad international experience

Joined Logica: 2009
as Group HR Director

Experience in IT services: More than ten years of people management in IT services

Previous management experience: Director of People, BBC; Chief HR Officer, BT Global Services; senior HR positions in National Provident Institution (NPI), Balfour Beatty and British Rail

Current external commitments and relevant qualifications: Member of Editorial Advisory Board, People Management Magazine; Chartered Member of the Institute of Payroll and Pensions Management; Chartered Member of the Chartered Institute of Personnel and Development; Fellow of the Royal Society of Arts

Most important contribution in 2011: Supporting leadership succession in the UK and Sweden as well as the recruitment of a new CFO

15 Jean-Marc Lazzari
Chief Client Officer and President France

Key strengths: International business leadership; entrepreneurial leadership; business transformation and mergers; business consulting and outsourcing

Joined Logica: 2008 as CEO, Outsourcing Services

Experience in IT services: More than 25 years, spanning consulting, systems integration, products and outsourcing

Previous management experience: VP and General Manager, Unisys Continental Europe; Head of Global HR and Payroll Solutions, IBM; Vice-President and General Manager, Business Consulting Services (EMEA West), IBM; Founder and manager of several IT start-up companies

Most important contribution in 2011: Delivered strong growth and margin as well as strengthening our relationships with a number of major clients

16 Amanda Mesler
Executive Partner Oil and Gas and President Logica Business Consulting Chairman, Corporate Responsibility Committee

Key strengths: Corporate strategy and innovation; global account management; sales and marketing; business transformation; international business development; operational leadership

Joined Logica: 2007 as Chief Executive, North America

Experience in IT services: More than 15 years in Business Consulting and IT services management at EDS and BearingPoint; two years as a client of Consulting and IT services

Previous management experience: Chief Client Officer, Logica; CEO North America; Vice President, Strategy and Organization Design and a corporate officer at North American food service marketer and distributor, Sysco; executive positions at EDS, BearingPoint (formerly KPMG Consulting) and General Electric

Current external commitments and relevant qualifications: Member of Young Presidents' Organization International; International Women's Network Europe, YPO

Most important contribution in 2011: Globalise Business Consulting and led significant strengthening of our partnership with Microsoft

Report of the Directors

Our Annual Report and Accounts for the year ended 31 December 2011 will be laid before shareholders at our 2012 Annual General Meeting (AGM).

What do we do?

We are a leading European business and technology service company, employing over 41,000 people at the end of 2011. Our principal activities are providing business consulting, systems integration and outsourcing to clients around the world, including many of Europe's largest businesses.

Find out more
Our business activities and our business model are described more fully on pages 4 to 7 and in the case studies in this report.

Who are our major shareholders?

Interests notified to us of 3% or more in our issued share capital are set out below as at 31 December 2011 and 12 March 2012. The percentages have been calculated on the shares in issue at the date of notification.

Name	No. of shares 31 December 2011	%	No. of shares 12 March 2012	%
Schroders plc	276,254,829	17.1	290,283,443	18.0
FIL Ltd (Fidelity)	84,448,267	5.2	84,448,267	5.2
Legal & General Group plc	63,986,650	4.0	63,986,650	4.0

Find out more
Regular monthly updates to our largest shareholders are posted on our website at **www.logica.com/investors**

When is our 2012 AGM?

The AGM will be held on 11 May 2012 at 10.30 am at Kings Place, 90 York Way, London N1 9AG. All Directors are expected to attend.

Find out more
Voting results can be found on our website at **www.logica.com/investors**

What issues will be voted on at our AGM?

At our 2012 AGM all of the Directors will stand for election or re-election. The other approvals to be sought from shareholders will include resolutions to purchase our own shares and to allot new shares for cash.

Find out more
A summary of the business to be conducted at the AGM is set out on page 57.

Elsewhere in the report:

Business review
The business review can be found in the following sections:

A review of the development, performance and financial position of the business as well as an analysis of Key Performance Indicators (KPIs):

- our markets on pages 10 to 17
- business review on pages 2 to 33
- financial review on pages 34 to 45.

Our 2012 outlook, future direction, strategic plan and guiding principles for the business:

- a view from our CEO on page 3
- a view from our Chairman on page 47
- our strategy on page 18
- business review on pages 22 to 33
- financial review on pages 34 to 45.

Future developments
Further information on future developments can be found in the view from the CEO on page 3, the business review on pages 22 to 33 and in the financial review on pages 34 to 45.

Risk Factors: pages 30 to 33.

Group Key Performance Indicators
KPIs are summarised on pages 22 to 29.

These sections, together with the Corporate governance report set out on pages 58 to 68, are incorporated into this Report by reference.

Financial highlights

Results

Consolidated revenue	Profit before tax	Profit attributable to shareholders
£3,921m	£33m	£27m
(2010: £3,697m)	(2010: £193m)	(2010: £152m)

Basic earnings per share from total operations	Basic adjusted earnings per share from continuing operations	Net debt at year end
1.7p	4.5p	£295m
(2010: 9.6p)	(2010: 12.3p)	(2010: £280m)

Further information about earnings per share is set out in note 15 on page 110.

Research and development

Amount invested	Amount capitalised
£44m	£30m
(2010: £30m)	(2010: £21m)

Dividends

Final dividend per share (proposed)	Interim dividend per share (paid 14.10.11)	Total dividend per share for 2011
2.3p	2.1p	4.4p
(2010: 2.3p)	(2010: 1.9p)	(2010: 4.2p)

If approved at the AGM, the final dividend will be paid on 16 May 2012 to eligible shareholders on the register at close of business on 13 April 2012. Dividend waiver details are set out in note IX on page 149.

Shares

Share capital and issue of new share capital

Our share capital consists of one class of ordinary shares of 10p each. Each share ranks equally and carries the same rights to vote and receive dividends and other distributions declared. There are no restrictions on the transfer or holding of our shares.

The rights attached to shares which are the subject of awards under any of our employee share plans are not available until any award or option is exercised and the shares are allotted or transferred to the relevant individual. The Trustee of each of our employee benefit trusts is obliged to act in the best interests of the share plans' beneficiaries. At General Meetings, the Trustee may exercise discretion and vote in respect of Trust shares although it may not always choose to do so. Where shares are beneficially held by an employee within a share plan they may direct the Trustee to vote on their behalf. Our share plans are further explained on pages 74 to 76.

The Directors require express authorisation from shareholders to allot new shares. This authority can be granted for a period of five years. However, we follow best practice and seek shareholder approval annually.

At the 2011 AGM authority was given to allot new shares up to an aggregate nominal amount of £52,864,783, representing approximately one-third of the then issued share capital. Shareholders will be asked to renew this authority at the forthcoming AGM. In addition, the usual resolution to disapply pre-emption rights will also be proposed.

During the year our issued share capital increased by 10,032,071 shares as a result of the issue of shares on the exercise of options and awards of shares under our employee share plans. At 31 December 2011, 1,611,973,566 shares were in issue.

Purchase of own shares
At the 2011 AGM shareholders approved an annual resolution giving us authority to purchase up to 160,196,313 of our own shares. No shares were purchased during the year. Accordingly, at the 2012 AGM, the Directors will seek to renew the authority to make market purchases of up to a maximum of 10% of issued share capital. At the present time we have no plans to exercise this authority.

Restrictions on voting rights
All shareholders entitled to attend and vote at a General Meeting may appoint a proxy or proxies to attend, speak and vote in their place. A member may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to a different share or shares held by the shareholder. A proxy need not be a shareholder. Proxy forms must be received by our registrars at least 48 hours before the time appointed for holding a meeting, as set out in any Notice or in any form or proxy circulated by us. The appointment of a proxy does not preclude a shareholder from attending and voting in person at a General Meeting. Further details may be found in the Notice of Meeting sent to shareholders in advance of the 2012 AGM, a copy of which is also available on our website at **www.logica.com/investors.**

The Board

Directors and changes during the year
The names, functions and biographical details of our current Directors are set out on pages 48 to 51 and are also available on our website at **www.logica.com**.

The following change to the Board took place in 2011: 5 September 2011: Himanshu Raja was appointed as an Executive Director and Chief Financial Officer.

Himanshu Raja will stand for election by shareholders at the 2012 AGM. All of the other Directors intend to retire and seek re-election.

Further details of the election and re-election of the Directors can be found on page 57 and in the notes to the AGM Notice on our website at **www.logica.com**.

The governance structure of the Board is illustrated on page 61 and the activities of the Board's governance committees are summarised on pages 66 to 68.

Directors' remuneration report and Directors' interests
The Directors' remuneration report is set out on pages 69 to 89. Directors' interests in our share capital as at 31 December 2011 are shown on page 82 of the report.

Directors' and Officers' insurance
We maintain insurance cover for all directors and officers of Group companies. In addition, indemnities are in force under which we have agreed to indemnify the Directors against all liabilities and related costs that they may incur in the execution of their duties. Copies of these indemnities are kept at our registered office and are open for inspection by any member. These indemnities do not cover the Directors or Officers for fraudulent activity.

People and Responsibility

Employees, employment policies and equal opportunities
Diversity is a key component of our corporate responsibility programme. We are committed to providing equal opportunities to all employees irrespective of their gender, sexual orientation, marital status, age, religion, race or whether they are differently abled. We give full and fair consideration to differently abled people with respect to applications for employment, continued employment, training, career development and promotion, having regard to each individual's particular aptitudes and abilities.

Employee involvement
We are committed to ensuring that our employees share in the success of the Group and in particular employees are encouraged to participate in our share option and share purchase plans. We also continued our policy of informing and involving employees in matters which concern them through the use of regular meetings between management and employees, corporate news letters, knowledge management tools, the issue of bulletins and briefings and our intranet. In addition, an annual staff survey is undertaken, the results of which are provided to the Board, HR and all employees.

Charitable donations
Total UK charitable donations in 2011 were £191,000 (2010: £155,000), the majority of which were made to children's charities.

Further information about our employment and equal opportunities policies, including employee involvement, can be found in the Our people and Responsibility sections on pages 8 to 9 and 21, and on our website at **www.logica.com**. Further information about our employee share plans is set out on pages 130 to 135, in note 35.

Political donations and contributions

Our policy is not to make any donations or contributions to political parties or organisations and no such payments were made during the year.

Branches

We continue to operate a number of overseas branches which during 2011 included branches in France, other parts of the European Union, the Philippines and Saudi Arabia.

Creditor payment policy and practice

We and our subsidiaries seek the best possible terms from suppliers appropriate to their businesses and, in placing orders, give consideration to quality, delivery, price and the terms of payment which will be agreed with suppliers when the details of each transaction are agreed. We will continue to honour our contractual and other legal obligations and to pay creditors on the dates agreed in contract and purchase orders except where we are in legal dispute. At 31 December 2011, the number of days of annual purchases represented by year-end trade creditors for the Group amounted to 60 days (2010: 68 days) and for the Company amounted to nil days (2010: nil days).

Financial instruments

Our exposure to financial risks including the use of financial instruments and policies for hedging and the exposure to price, credit, cash flow and liquidity risk can be found in note 26 to the Financial Statements.

Change of control

In some sectors in which we operate it is not unusual for some client or supplier contracts to include a clause that may allow the termination of the contract in the event of a change of control. The only other significant agreements to which we are party that take effect, alter or terminate upon a change of control following a takeover bid are our principal debt facilities and related hedging instruments, where the counterparties can require repayment in the event of a change of control. There are no agreements between us and our Directors or employees providing for compensation for loss of office or employment that occur because of a takeover bid.

Auditors

PricewaterhouseCoopers LLP (PwC) have been our auditors for a number of years. The Audit Committee considers that the relationship with the auditors is working well and remains satisfied with their effectiveness. The auditors are required to rotate the audit partner responsible for the Group and key subsidiaries' audits. There are no contractual obligations restricting our choice of auditor.

The Directors have recommended the reappointment of PwC, who have expressed their willingness to continue in office. A resolution for their reappointment will be proposed at the forthcoming AGM.

Auditors' right to information

Each person who is a Director at the date of approval of this Report confirms that:

- so far as he or she is aware, there is no relevant audit information of which the auditors are unaware;
- he or she has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the auditors are aware of that information.

Events after the Balance Sheet date

No important events have occurred since the year-end.

Annual General Meeting

Our AGM will be held on 11 May 2012 at 10.30 am at Kings Place, 90 York Way, London N1 9AG.

A summary of the resolutions to be proposed at the AGM is set out below:

Ordinary Resolutions

- to receive the Directors' and Auditors' reports and the audited Accounts for 2011
- to approve the 2011 final dividend of 2.3p per share
- to approve the Directors' remuneration report for 2011
- to reappoint PricewaterhouseCoopers LLP as auditors
- to agree the remuneration of the auditors
- to elect Himanshu Raja as a Director
- to re-elect each of the other Directors (a separate resolution will be proposed for each Director)
- to renew the authority to incur political expenditure
- to renew the Directors' authority to allot new shares.

Special Resolutions

The following resolutions will be passed only if 75% or more of the votes cast are in favour:

- to renew the Directors' authority to allot shares for cash other than on a pro-rata basis
- to renew the authority to purchase our own shares (up to a maximum of 10% of issued share capital)
- to approve the calling of a General Meeting other than an AGM on not less than 14 clear days' notice.

The full details of the resolutions can be found in the Notice of Meeting, a copy of which is available on our website at **www.logica.com** or can be obtained from the Company Secretary.

By order of the Board

A. Rivers

Alice Rivers
Company Secretary
12 March 2012

Registered office
Logica plc
250 Brook Drive
Reading RG2 6UA
United Kingdom

Registered in England and Wales
No 1631639

Corporate governance report

In keeping with our commitment to the highest standards of corporate governance, the Board supports the Financial Reporting Council's 2010 UK Corporate Governance Code (UK Code)

Leadership

What is the Board's composition?

The Group is led by a Board of three Executive and six Non-Executive Directors, two of whom are women. Overall, the Board has an extremely wide range of international, management, governance, commercial and financial expertise which is particularly well suited to our operational requirements.

Find out more
Details of the members of the Board, their backgrounds and experience are set out on pages 48 to 51. Further information about the Board's activities during 2011, its governance structure and Committees is set out on pages 59 to 61. The activities of the Board's Committees are summarised on pages 66 to 68.

Effectiveness

How did we assess Board effectiveness?

Following our 2010 external review of the Board's effectiveness, in 2011 the Board undertook more robust reviews of the Group's strategic plans and succession planning. An internal review of effectiveness was also carried out. The next external review is scheduled for 2013.

Find out more
The conclusions of the 2011 review and actions taken in relation to the recommendations of the 2010 review are set out on page 61.

Accountability

How did we mitigate risks and uncertainties?

The Board has overall responsibility for our system of internal control and risk management which is implemented by Group management through mandatory policies and procedures. The system is overseen by the Executive Committee and is subject to audit by the Group Internal Audit function. The effectiveness of the system is kept under regular review by the Audit Committee.

Find out more
Further information about internal control, risk management and the related financial reporting process is set out on pages 62 and 63. For our principal risks see pages 30 to 33.

Relations with shareholders

How did we communicate with our investors?

Communicating with shareholders was especially important in 2011. We undertook introductory meetings for shareholders with our new CFO and Executive Director Himanshu Raja, in addition to the normal programme of activities organised by Investor Relations for our Directors and other Executive Committee members. We also undertook to meet our larger shareholders to explain the actions we took in December 2011 to better position the business for 2012.

Find out more
Presentations from our meetings with investors are accessible at **www.logica.com/investors**

Compliance and Corporate Governance

The Company is premium listed on the London Stock Exchange and is also listed on the Amsterdam Stock Exchange. Accordingly, we comply with the listing requirements of the UK Listing Authority and the Authority for the Financial Markets (AFM) in the Netherlands. We believe that we have fully complied with the UK Corporate Governance Code (UK Code) throughout 2011 apart from in the limited circumstances described on page 67, where an explanation has been provided.

Leadership

Board membership

At the end of 2011, the Board comprised the Non-Executive Chairman, three Executive Directors and five Non-Executive Directors, one of whom acts as the Senior Independent Director and two of whom are women.

Chairman

The Chairman is responsible for ensuring the effectiveness of the Board. He is also Chairman of the Nominations Committee and during 2011 led the successful recruitment exercise which resulted in the appointment of a new Chief Financial Officer. There is a clear division of responsibility between the role of the Chairman and that of the Chief Executive Officer, who is responsible for the overall management of the Group's operations. The Chairman liaises with the Chief Executive Officer on strategic and other issues.

Chief Executive Officer and Executive Directors

In addition to membership of the Board, the Chief Executive Officer and our other Executive Directors play a major role in driving the Executive Committee, the Group's most senior operational body, charged with recommending and implementing the Board's strategy worldwide.

Non-Executive Directors

The Non-Executive Directors bring a very broad level of experience to the Board and make a valuable contribution to achieving our objectives. Their primary aims are to maximise shareholder value and develop the Group in line with our strategic goals. All of the Non-Executive Directors together with the Executive Directors and other members of the Executive Committee attended a Board strategy conference during the year organised to discuss and develop the strategic plans for the Group.

Board meetings, strategy and control

The Board has developed strategies and policies to determine and achieve its goals and uses appropriate and prudent controls to manage the process. The Board's standards and values are implemented with the assistance of our executive management, central finance, commercial, legal and administrative departments and the internal audit function.

In order to retain control of all significant matters the Board specifically reserves for its own approval a range of issues including:

- the Group's strategic plans including long-term objectives and commercial strategy
- the annual operational plans and budgets
- the annual and interim results and published financial statements
- major capital expenditure commitments
- treasury policies
- material increases to finance facilities
- recruitment and the terms and conditions of employment for Directors and senior executives
- the terms of reference of all Board Committees
- commercial contracts with a value in excess of £100 million over the life of the contract.

In 2011 the Board held six scheduled meetings. At each meeting the Group's Chief Executive Officer and Chief Financial Officer reported on operational and financial performance. Periodical reports were also provided on the activities of the Board's Audit, Nominations and Remuneration Committees by the chairmen of those committees.

The wide range of topics reviewed by the Board during the year included the Group's Three-year Plan and long-term strategy; performance against the 2011 budget; the budget for 2012; reports from the Group's operating segments and service lines; major bids and commercial contracts; risk management and internal and external audit reports; HR operations and pension schemes; tax and treasury policies; insurance; health and safety; investor relations; Board composition, gender diversity and performance; the appointment of the new Chief Financial Officer; succession planning and the motivation and performance of senior management; corporate social responsibility; developments in corporate governance; and significant new legislation.

The table on the next page shows Directors' attendance at scheduled meetings during 2011. Additional Board meetings were held to deal with a variety of matters including the Group's 2010 results and dividend; its annual accounts and interim results; the Group's debt and financing facilities; the acquisition of the Grupo Gesfor SA group; and the operation of the Group's share plans.

In order to reflect our broad geographical spread and to provide a higher level of Board visibility, our policy is to hold at least two Board meetings outside the UK each year. In 2011, meetings were held in France and India. In 2012, non-UK meetings are scheduled for Finland and Morocco.

Board attendance at scheduled meetings

Name	Meetings attended	Possible attendance
David Tyler	6	6
Andy Green	6	6
Jan Babiak	6	6
Sergio Giacoletto	6	6
Noël Harwerth	6	6
Wolfhart Hauser	6	6
Seamus Keating	6	6
Himanshu Raja *	2	2
Frédéric Rose	6	6

* Denotes addition of a new Board member during the year. Changes to the Board during 2011 are set out on page 56.

The Non-Executive Directors meet without the Executive Directors following each Board meeting to consider specific agenda items and business matters.

Insurance cover is in place in respect of legal action against the Directors. Further information about the cover provided and about indemnities that have been given to the Directors is set out on page 56.

The Board's full Terms of Reference are available on our website **www.logica.com/governance** or can be obtained from the Company Secretary.

Effectiveness

Directors' knowledge and experience

We have developed a Board with an excellent balance of skills, experience, length of service and knowledge of the Group.

The wide experience of our Board members ranges across the UK, European and international IT and other sectors. In addition to significant strengths in multinational business leadership and the development and implementation of strategy, the Board collectively also has high level experience of international finance, risk control, corporate governance and market communications. Biographical details of the current Directors setting out details of their qualifications and experience, can be found on pages 48 to 51.

Board diversity

Lord Davies' February 2011 report 'Women on Boards', recommended that FTSE 100 companies should aim for a minimum of 25% female board representation by 2015. It further challenged FTSE 350 companies to set out the percentage of women they aim to have on their boards in 2013 and 2015.

For the majority of 2011, we had two female Directors on a Board of eight members, a female representation rate of 25%. With the addition of a ninth Director following the appointment of Himanshu Raja, this now stands at 22%.

We are committed to carrying out candidate searches across the widest possible pool of talent against a set of objective criteria based on merit, but with due regard to the benefits of diversity, including gender.

Non-Executive Directors' independence

The independence of the Non-Executive Directors has been considered by the Board which has concluded that each of them is independent in character and judgement. None of the Non-Executive Directors, including the Chairman, hold significant external commitments which interfere with their ability to execute their responsibilities effectively.

Conflicts of interests

The Board has the approval of our shareholders to authorise conflicts of interests in appropriate circumstances and has established a procedure to ensure that these powers operate effectively. Under this procedure, Directors must give written notification of any potential conflicts of which they are aware on appointment or of which they become aware subsequently. These notifications are recorded by the Company Secretary and submitted to the Board for review and authorisation, as appropriate. Any changes to existing interests are reviewed at the next Board meeting. A copy of the procedure is provided to all new Directors and an explanation forms part of our induction programme for new Directors. We confirm that the procedure referred to above has operated effectively during the year and to date.

Subject to Board approval, Executive Directors are normally permitted to accept one non-executive appointment in another listed company. They may retain fees paid in connection with an external appointment and details of any fees received can be found in the Directors' remuneration report on page 79.

Induction and training

On appointment, all Directors undergo a comprehensive induction programme, tailored to their individual requirements. The induction programme includes training on:

- Directors' duties and responsibilities
- Board procedures and governance-related issues
- conflicts of interests
- procedures for dealing in Logica plc shares.

In addition, new Directors meet with the heads of the major business units.

Directors also make a number of site visits as part of the induction programme. Members of individual Committees receive specific training in connection with their duties, which includes attendance at seminars and briefings by external advisers. They are also invited to attend an annual leadership conference.

All Directors receive appropriate ongoing training and updates to improve their knowledge and skills. The training requirements are subject to regular review.

Election and re-election of Directors

All of the Directors retired and were re-elected by shareholders at the 2011 AGM. Himanshu Raja, who was appointed as a Director in 2011 will stand for election at the 2012 AGM. All other Board members will retire and seek re-election at the 2012 AGM. Further details of the election and re-election of the Directors can be found on page 57 and in the notes to the AGM Notice on our website at **www.logica.com**.

Board support

The Company Secretary and her team provide administrative and logistical support to the Board. Advice and support are also given on governance, compliance and regulatory matters. The Company Secretary is available to advise all Directors and ensure that Board procedures are complied with. The Directors may also seek independent professional advice at the Company's expense. No such advice was sought during the year.

Governance structure

The Board has set up Audit, Nominations and Remuneration Committees, the Terms of Reference of which are available on our website **www.logica.com/governance** or can be obtained from the Company Secretary. Details of the activities of these Committees are set out on pages 66 to 68. Our governance structure is set out in the diagram below.

Board performance 2011

The Board is subject to a performance review each year which covers its own effectiveness and that of its Committees and individual members.

The review for 2010 was carried out externally by Edis-Bates Associates. It concluded that although the Board was operating very successfully, improvements could be made in the areas of succession planning, the strategy review process, financial reports' presentation and certain administrative matters. These issues were addressed during 2011 and changes were introduced. In particular, a review was carried out of the Group's strategy as described on page 59 and more wide-ranging discussions were held on succession planning by the Nominations Committee as described on page 67.

The evaluation for 2011 was carried out internally. Each Director completed an individual questionnaire which included questions about Board composition, expertise, information flows and roles, responsibilities and procedures. Based on the questionnaires, the Chairman met with each Director individually and discussed their answers with each of them in private. A comprehensive performance report was presented to the Board in February 2012.

The Chairman's performance was assessed by the Non-Executive Directors in one-to-one discussions with the Senior Independent Director, who discussed their feedback with the Chairman.

In summary, the conclusion of the 2011 review was that the Board is operating very effectively with its members possessing all the skills the Company requires. It was felt that further improvements could be made in the presentation of financial information and in succession planning. The Board plans to address these issues during 2012.

We are committed to carrying out a comprehensive external evaluation of Board performance every three years and in accordance with our policy the next external review will be in 2013.

In addition to the annual assessment of performance, regular meetings are held between the Chairman and the Non-Executive Directors to discuss Board performance and any matters of relevance or concern. Action is taken to address any concerns of the Directors, as appropriate.

Governance structure

Board of Directors

Executive Committee	Audit Committee	Remuneration Committee	Nominations Committee
(see pages 50 to 53)	Jan Babiak (Chairman)	Noël Harwerth (Chairman)	David Tyler (Chairman)
	Sergio Giacoletto	Frédéric Rose	Jan Babiak
	Wolfhart Hauser	David Tyler	Sergio Giacoletto
			Andy Green
			Noël Harwerth

Accountability

Internal control

The Board has overall responsibility for our system of internal control and for reviewing its effectiveness. It delegates the responsibility for operating and monitoring the system to executive management in each of our business units. The system is designed to manage, not eliminate, risk of failure to achieve business objectives and can only provide reasonable, not absolute, assurance against material errors, losses, fraud or breaches of laws or regulations.

The key elements of our system of internal control are:

- all business units operate under Group mandatory written policies and procedures, as set out in our business management system. Policies and procedures are kept under review by experienced individuals from across the Group. Key policies are reviewed and approved by the Board with minor revisions and improvements being made to our revenue recognition and hospitality and gifts policies in 2011
- mandatory policies include an ethics policy and a confidential disclosure policy, which sets out our 'whistleblowing' arrangements. An Ethics e-learning module, which explains policies and expectations, has been mandated to be completed in all entities and completion is progressing as planned
- mandatory policies include an authority matrix, setting out the levels of authority delegated to individual Board members and senior executives on a wide range of matters including those relating to capital expenditure, property leases and freeholds, bids and commercial contracts, publicity, treasury issues, employment matters and legal disputes
- the annual planning and budgeting process includes consideration of key strategic and operational risks. The heads of each of our business units produce written monthly reports for central analysis, which provide detailed financial results, forecasts and cash flows
- the Group's Chief Executive, Chief Financial Officer and Vice Presidents of Finance, conduct monthly operations reviews of our major business units
- the Group's Chief Executive, Chief Financial Officer and the Vice Presidents of Finance and the Board carry out formal reviews of major bids, where opportunities exceed specified monetary values or risk profiles. In October and November 2011, we started to implement an additional, more detailed and rigorous reporting and review process over our top (by size and risk) contracts. This process will be built on and adopted on a wider scale in 2012
- research and development and capital investment programmes are subject to formal review and approval
- quality assurance teams are in place in our business units, supporting local management in assuring and improving the quality of delivery. These teams are key to the operation and maintenance of the Group's ISO and other industry quality standard accreditations
- as part of our Executive Committee's review of key business risks, proposals to improve mitigations are presented and discussed. In 2011, this included the development and approval of proposals for a 'Deliver Smart' and 'Delivery Assurance' initiative to improve the processes and tools to support contract and delivery risk management
- our systems of internal control and our internal control procedures are reviewed and tested on a sample basis by Group Internal Audit. The results of this work are routinely reported to our executive management and to our Audit Committee.

Our annual controls self-assessment (CSA) process was revised and run in September 2011 to complement Group Internal Audit work. As well as covering the overall control environment, assessments covered nine major business process areas from project control and procurement to HR, finance, taxation and information systems. In 2011 all countries were required to complete all sections of the questionnaire (in former years, only sections not subject to an internal audit visit needed to be completed). Our review and analysis of the CSA responses looked firstly from a process perspective and secondly, a country perspective. In respect of processes, we continue to see finance, HR, payroll and taxation as the more mature activities, with opportunity management, procurement and information systems as the less mature process areas. The quality and accuracy of the self assessments are improving and this process is helping to build a better awareness and understanding of the Group's key control expectations. We continue to test the accuracy of these self assessments, on a sample basis, as part of Group Internal Audit reviews.

Our response to fraud risk continued to be monitored and, with the implementation of the UK Bribery Act, we continued the emphasis on our ethics and hospitality and gifts policy compliance. Completion of our Ethics e-learning training, available in several languages, is being monitored closely, with particular emphasis on enforcing mandatory requirement in countries with a Corruption Perception Index (CPI) of less than five. We have had a number of 'whistleblowing' cases reported through our external line, which have been investigated, although none were found to be significant. We have also had a number of minor frauds identified by routine management review processes, none of which have resulted in any material loss to the Group. A small number of individuals have been dismissed.

Risk management
The continuous monitoring of strategic and operational risks is the responsibility of the Board and line management, respectively. In order to address these challenges on behalf of the Board, the Executive Committee has responsibility for the regular evaluation of generic and specific risks within the business and the implementation of mitigation plans to address them.

The risk management process identifies, evaluates and manages significant risks faced by the Group. Risks are assessed with reference to the achievement of our business objectives and according to current market and economic issues. We have again completed a cyclical process of top down and bottom up review. From a top down perspective, the Executive Committee-owned risks were amended from eight to nine, separating out Information Security risk to give this topic greater focus (formerly, it was combined with business continuity risk). Our bottom up process requires all countries and entities to formally assess and document their risk and improvement mitigations against each of the nine risks and their sub-risks. The consolidation of this assessment is then reviewed and moderated by the Executive risk owner. Finally, the Executive Committee reviews and approves the risk and controls report summary which is presented to the Board and Audit Committee. This report includes the agreed priorities for risk mitigation improvements for 2012.

Clearly defined delegation of responsibilities and authorisation levels contribute to a comprehensive system which exists for controlling these risks and helping to ensure that they are adequately addressed.

The key risks and measures to mitigate risks identified by the Board are listed on pages 30 to 33.

The conclusions arising out of the Group's risk management activities are interlinked with the evaluation and management of the Group's Key Performance Indicators (KPIs), which are set out on pages 22 to 29.

Financial reporting process
In addition to the general internal control and risk management framework referred to above, the following elements of the internal control system are specific to the financial reporting process:

- the Group's mandatory policies covering revenue recognition and reporting, which set out what is to be reported monthly to the Chief Executive Officer and the Chief Financial Officer
- the Group's financial reporting system, which provides a sound basis for management review processes
- the businesses' monthly reports, which include financial reporting of performance and major projects, for review by the Chief Executive Officer, the Chief Financial Officer and other senior members of the Group Finance and Commercial functions
- all countries are required to produce weekly cash flow and monthly foreign exchange exposure reports. These are reviewed by the Group Treasurer and utilised to ensure hedging control and cash management for the Group
- the financial reporting review process performed by the Group Finance function, which includes benchmarking, to compare country performance, identify risk areas and determine improvement actions for specific countries or for the Group as a whole
- the data consolidated into the Group's financial statements which is reconciled to the underlying financial systems. A review of the consolidated data is undertaken by management to ensure that the true position and results of the Group are reflected through compliance with approved accounting policies and the appropriate accounting for non-routine transactions.

In addition, the Group Reporting team undergoes technical training, provided by the external auditors, to ensure that they are up to date on financial reporting standards and good practice.

The Board confirms that it has continued to review the effectiveness of the Group's internal controls and risk management processes during 2011 and up to the date of this report and that, during the period, these reviews have covered all material controls, including financial, operational and compliance controls and risk management systems. Where weaknesses have been identified or reported through the various mechanisms outlined above, appropriate corrective action has been agreed.

External auditors
The Group's external auditors provide a supplementary, independent perspective on the overall integrity of those areas of the internal control system which they assess in the course of their work. Their findings are reported regularly to the Audit Committee which seeks to ensure that the risk management process addresses our major risks.

To ensure auditor objectivity and independence, a stringent process is in place to approve non-audit work. Proposed work must be approved by the Chief Financial Officer before being passed to the Audit Committee for approval at specific financial levels. Proposed work is reviewed for compliance with regulatory requirements that preclude auditors from performing certain types of work and to assess if the nature of the work would create a conflict of interest now or in the future. Copies of all internal audit reports are automatically provided to the external auditors to ensure communication is both comprehensive and transparent.

Details of the remuneration of the external auditors for audit, audit related and non-audit work can be found in note 12 on page 108.

Going concern

The Directors, having made enquiries, consider that the Company has adequate resources to continue in operational existence for the foreseeable future, and therefore it is appropriate to maintain the going concern basis in preparing the financial statements.

Relations with shareholders

Shareholder services

The share register is managed on our behalf by Capita Registrars. Shareholders are able to carry out a number of online administrative transactions, such as checking their holdings and dividend accounts, changing address details and arranging for dividends to be paid direct into a bank account. Together with our registrars, we provide a range of services including payment of dividends in euros to shareholders trading through our Dutch listing, UK and Dutch dividend reinvestment plans and share purchase and sale services with proceeds available in a number of currencies including sterling, euros and USD.

Communications with shareholders

The way we communicate with our shareholders is a key priority for the Group. We encourage an active dialogue and ensure that opportunities for engagement, such as the AGM and meetings with institutional investors, are used effectively to provide a clear understanding of our objectives and performance. In 2011, the Chairman and the Chairman of the Remuneration Committee held meetings with a number of existing and prospective shareholders in order to understand their views more comprehensively. In addition, the Chief Executive Officer, Chief Financial Officer and the Head of Investor Relations held meetings with shareholders regarding the Group's normal course of business. In total, during the year, members of the Board and Investor Relations met with around 280 shareholders, or their representatives, at investor meetings and conferences.

The Board is made aware of shareholders' views through direct feedback from face-to-face meetings and presentations with institutional shareholders. As well as meetings with our existing and potential shareholders, Directors also attend meetings with brokers and analysts on a regular basis throughout the year. Institutional shareholders and investors are also

Governance

Who are our shareholders?

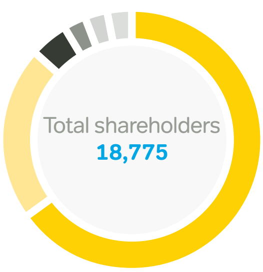
The vast majority of Logica shares (95+%) are available in free float. Almost three-quarters of shareholders have a holding of between 1 and 10,000 shares. Logica's share register shows a well-spread portfolio of major institutions. At the end of December 2011, the top 25 institutional shareholders represented holdings equivalent to almost 70% of the share register, compared to around 65% held by the same institutions a year ago. The Company's management and Investor Relations team maintain an active dialogue with its shareholders and their advisers.

A number of major international brokerages, as well as local specialists, make an active market in Logica shares. Over 25 analysts undertook and published research on the Company at the end of 2011.

The list of our top 20 institutional shareholders is compiled and published monthly on **www.logica.com/investors**.

Logica shareholders

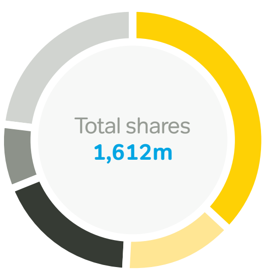
Number of shares held at 31 December 2011



- 1-1,000 shares
- 1,000-10,000 shares
- 10,000-50,000 shares
- 50,000-100,000 shares
- 100,000-500,000 shares
- 500,000+ shares

Concentration of Logica share register

Shareholdings at 31 December 2011



- Top 5
- Next 5
- Next 15
- Next 25
- Other

offered the opportunity to meet our Senior Independent Director should they wish to discuss any views or concerns that they may have. In addition, Directors are regularly updated on shareholder and market issues through our Investor Relations department which provides summaries of external analysts' reports and direct internal briefings.

Annual General Meeting
All shareholders are invited to the AGM which provides an opportunity for developments in the business to be explained and for shareholders to ask questions of any of the Directors. All Directors are expected to attend the AGM, with the Chairmen of the Audit, Remuneration and Nominations Committees present to answer any questions on the responsibilities and activities of their Committees. All Directors attended the 2011 AGM.

To ensure that the views of shareholders are reflected proportionately, it is our policy for all resolutions to be voted on a poll.

Website
Our website **www.logica.com/investors** provides a source of information for shareholders about the Group and contains financial presentations, investor publications including the online annual report and press releases. Our financial reporting is presented in such a way as to provide a balanced and understandable assessment of our position and prospects for future growth.

Further information about our registrars, shareholder services, Investor Relations and our principal shareholders can also be found on the website.

Board Committees

Audit Committee

"The disappointing need to take a one-off charge of £39 million for contract charges during the year underlines the importance of identifying and acting to mitigate risks as early as possible. A more robust challenge to risk management procedures will improve the efficiency of our controls."

Jan Babiak
Chairman, Audit Committee

Directors' attendance

Name	Date of membership	Meetings attended	Possible attendance
Jan Babiak	Chairman from 2010	4	4
Sergio Giacoletto	Member from 2009	4	4
Wolfhart Hauser	Member from 2007	4	4

Composition
The composition of our Audit Committee and its terms of reference comply with the UK Code. It is made up of independent Non-Executive Directors and we consider Jan Babiak to have recent and relevant financial experience following her previous role as a managing partner at Ernst and Young.

The membership of the Committee and attendance at scheduled meetings in 2011 are set out above.

Terms of reference
The Committee's terms of reference were updated during the year to ensure that they remain in full compliance with the new Guidance on Audit Committees issued by the FRC in December 2010.

Activities
The Committee's activities include the review and approval of presentations and reports from senior management, consulting as necessary with the external auditors. In 2011, the Committee specifically reviewed and considered the following:

- the independence, objectivity and performance of PwC and recommended to the Board that they be re-elected
- the effectiveness of the 2010 and 2011 audit processes, including PwC's reports and updates which summarised their conclusions and contained feedback on the status of our control environment and management's responsiveness to the audit results
- PwC's proposed fee and audit strategy
- the appropriateness of our accounting policies
- our 2010 full year and 2011 interim announcements
- our 2010 annual report and auditor representation letter
- the effectiveness of our Group Internal Audit function
- reports and updates from Group Internal Audit including their audit plans for 2012, which also covered the management of our internal controls
- reports relating to our risk management process, including any specific key risks identified and the impact of changing legislation and regulations
- major contracts, including the introduction of the more detailed and rigorous reporting and review process over our top (by size and risk) contracts
- our tax and treasury strategies and policies
- our implementation of the UK Bribery Act and ethical training throughout the Group
- our data security arrangements
- an extensive goodwill evaluation which supported its carrying value with no impairment considered necessary
- our Going Concern statement.

In addition, at each meeting the Committee reviewed a variety of standing items including progress on actions in response to its representations; relevant legal, reporting practice and compliance developments; reports filed under our confidential disclosure and fraud policies; compliance with our code of ethical conduct, including 'whistleblowing' relating to financial matters, and any other special investigations falling under its terms of reference.

The Committee is authorised to investigate any activity within its terms of reference and to seek any information that it requires from any employee. It has the right to consult professional advisers or, if it is not satisfied with the advice received, seek further independent professional advice at the Company's expense.

The Committee believes that the skills, qualifications and commercial experience of its members are appropriate for them to perform their duties.

Meetings
Two members constitute a quorum. The Chairman, Chief Executive Officer, Chief Financial Officer, Group Financial Controller, Head of Internal Audit and other appropriate specialist functional managers attend meetings on request. The Committee meets with our external auditors in private at least four times a year and during the year had a satisfactory level of dialogue with them. Regular meetings were also held between the Chairman of the Committee and the Head of Internal Audit.

Nominations Committee

"We conducted a rigorous international search over five months to find the right person to be our new CFO. At the end of the process, we selected Himanshu Raja for this position and he joined the Board on 5 September 2011. His appointment has brought a renewed vigour to the finance organisation."

David Tyler
Chairman, Nominations Committee

Directors' attendance

Name	Date of membership	Meetings attended	Possible attendance
David Tyler	Chairman from 2007	2	2
Jan Babiak	Member from 2010	2	2
Sergio Giacoletto	Member from 2009	2	2
Andy Green	Member from 2008	2	2
Noël Harwerth	Member from 2008	2	2

Composition
The Nominations Committee comprises a majority of independent Non-Executive Directors. During 2011 the membership of the Committee and attendance at scheduled meetings were as set out above.

Activities
The activities of the Committee include reviewing the balance of skills, knowledge and experience of the Board and its Committees and making recommendations about any adjustments considered necessary.

The Committee oversees the search and selection process for new Directors. During the year the Chairman led the Committee's successful recruitment exercise for the appointment of a new Chief Financial Officer. The recruitment process considered internal and external candidates and utilised the services of JCA Group, external independent professional advisers, to assist it. Over a five-month period, a shortlist of candidates was drawn up and selected candidates were interviewed, following which Himanshu Raja was recommended to the Board for appointment.

The Committee also reviews succession planning for our most senior executive positions. Our policy is designed to ensure leadership continuity over the medium and long term and to identify and develop individuals with the potential to take on key or critical management positions in the future. Following on from the conclusions of the previous year's Board performance review, the succession planning process was strengthened. In 2011 the Committee discussed detailed reports relating to leadership team succession, the evaluation of key and emerging talent, individual development plans, diversity and coaching.

In addition, the Committee is responsible for overseeing the Board appraisal process.

Copies of the Directors' terms and conditions of appointment are available on request from the Company Secretary.

Meetings
The Committee was convened on two scheduled occasions during 2011. Two members, both of whom must be independent Non-Executive Directors, constitute a quorum. Other Directors attend by invitation. Additional meetings may be convened if required.

Remuneration Committee

"The lower Board and senior management rewards for 2011 reflect our disappointing performance, but we are confident that we have the right mix of incentives in place to motivate management to deliver improved results in 2012 and to retain our key people."

Noël Harwerth
Chairman, Remuneration Committee

Directors' attendance

Name	Date of membership	Meetings attended	Possible attendance
Noël Harwerth	Chairman from 2007	4	4
Frédéric Rose	Member from 2009	4	4
David Tyler	Member from 2007	4	4

Composition
The Remuneration Committee comprises three independent Non-Executive Directors. During 2011 the membership of the Committee and attendance at scheduled meetings was as set out opposite.

Although the composition of the Committee does not meet the strict recommendations of the UK Code, due to the membership of the Company's Chairman, we believe that the wide range of knowledge and experience brought to the Committee by a membership which has executive and non-executive experience in the IT industry and other sectors, both in the UK and abroad, is particularly well suited to our current requirements.

Activities

The Remuneration Committee's principal activities are to determine our senior executive remuneration policy and levels of remuneration for the Executive Directors, Executive Committee, certain other members of senior management, the Company Secretary and the Head of Internal Audit. The Committee takes into consideration the pay and conditions of employment for employees when considering executives' remuneration. The Chief Executive Officer and the Group's Chief People Officer attend meetings on request.

The Committee has the right to appoint independent advisers and, if it is not satisfied with the advice received, seek further independent professional advice at the Company's expense.

The Directors' remuneration report, which describes the Committee's functions and its remuneration policies in more detail, is set out on pages 69 to 89.

The Committee believes that the skills, qualifications and commercial experience of its members are appropriate for them to perform their duties in accordance with its terms of reference.

Meetings

The Committee meets at least four times a year and any two members constitute a quorum.

Statement of Directors' responsibilities in respect of the annual report, the Directors' remuneration report and the financial statements

The Directors are responsible for preparing the annual report, the Directors' remuneration report and the Group and Parent 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 prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the Parent Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

In preparing the Group financial statements, the Directors have also elected to comply with the IFRSs issued by the International Accounting Standards Board (IASB). 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 Group and the Company and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether IFRSs as adopted by the European Union and IFRSs issued by the IASB and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and Parent Company Financial Statements respectively.

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 the Group and enable them to ensure that the Financial Statements and the Directors' remuneration report comply with the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website **www.logica.com**. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are referred to on pages 48 to 51, confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs, as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Business review and risk factors include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

By order of the Board

A. Rivers.

Alice Rivers
Company Secretary
12 March 2012

Directors' remuneration report

What did the Group achieve in 2011?

- 2011 performance
- performance criteria for 2012

Find out more
See page 70 for performance against financial and strategic measures.

What is our remuneration policy and how is it implemented?

- remuneration policy
- the link between business performance and reward
- key elements of remuneration for 2012
- expected value of executive remuneration
- how remuneration risks are managed
- summary description of principal remuneration programmes
- claw back provision
- shareholding requirements for Executive Directors and Executive Committee members

Find out more
See pages 71 to 77 for remuneration policy and key programmes.

How were Directors remunerated in 2011?

- summary of executive remuneration and contractual arrangements for 2011
- Executive Directors' external board appointments
- remuneration policy and contracts for Non-Executive Directors
- details of Directors' remuneration and share interests
- dilution of share capital by employee share plans

Find out more
See pages 77 to 87 for 2011 remuneration review.

How did we set remuneration policy?

- responsibilities of the Remuneration Committee
- membership of the Remuneration Committee
- key issues considered in 2011 and 2012

Find out more
See pages 88 to 89 for Remuneration Committee overview.

This report has been prepared by the Remuneration Committee and has been approved by the Board for submission to shareholders. The Committee believes the report complies with Schedule 8 to the Large and Medium Companies Groups (Accounts and Reports) Regulations 2008 and the relevant requirements of the Listing Rules of the UK Listing Authority.

Awards in respect of 2011 performance

In 2011, Logica suffered from a challenging environment – but the quality of our execution against our plans was also a contributing factor to a disappointing performance. Lower awards to our people in respect of 2011 reflect this.

Given the significant impact of our restructuring and contract charges on our gross margin, the adjusted profit and EPS, our bonus plans at Group level will not pay out and consequently no bonus will be paid to Andy Green or Seamus Keating. This will also impact the Group component of local bonus plans for our senior people across the business. In addition, the local component of bonus plans in Sweden, Benelux and the UK will typically not pay out.

With adjusted EPS down 8% to 11.3p from its 2008 level of 12.3p, shares potentially vesting under the Partners' Performance Multiplier Plan (PPMP), Long Term Incentive Plan (LTIP) and Deferred Investment Share Plan (DISP) which are subject to EPS performance conditions for the three years to 31 December 2011 will not vest.

With respect to share awards in 2012, the Committee has agreed a proposal from Andy Green and Seamus Keating that, given the impact of the restructuring announcement on people and shareholders, share awards should not be made to them. Recognising however that the Partners' Incentive Plan (PIP) is intended to foster a culture of collaboration aimed at the long-term success of the Company, awards will be made to other participants in the PIP. In a year in which many of our senior leaders will receive no bonus in respect of 2011 performance, the Committee felt that this was an appropriate but measured approach to incentivising our people.

Performance against strategic and financial measures used as a basis for:

Bonus plans

Gross margin

23.7%

(2010 actual: 27.8%)

Adjusted operating profit

£114m

(2010 actual: £272m)

Net debt at year end

£295m

(at 31 December 2010: £280m)

Share plans

Adjusted profit before tax

£224m*

(2010 actual: £254m)

Adjusted EPS

11.3p*

(2010 actual: 12.3p)

Free cash flow

£82m

(2010 actual: £84m)

* Unless otherwise stated, underlying numbers for 2011 have been used for ease of comparison. For definition of underlying, adjusted and pro forma numbers, see page 45.

Changes to performance criteria for 2012

The Committee remain satisfied that the combination of our short-term and long-term incentive arrangements, mainly through the bonus plans and the PIP and PPMP, are aligned with the Group's stated strategy.

In order to ensure we are focused on the long-term cash flow returns that the business is capable of delivering, the Committee has replaced the net debt measure used in the annual bonus plan with a free cash flow measure and this has also been introduced into the PPMP. This has also been added to the Group KPIs, as defined on page 28.

2012 remuneration policy
Remuneration policy and key programmes

The Committee reviews the remuneration policy for executives each year ensuring that it continues to support the objectives of the business while taking into account significant regulatory developments and market practice. Further to changes being introduced this year, the Committee will continue to monitor performance and reward arrangements throughout 2012 to ensure continuous alignment with our strategy and the interests of shareholders. The following table details our remuneration principles, how we endeavour to achieve these and the rationale for them.

Principle	How achieved	Rationale
To provide competitive and appropriate total remuneration	Target levels of remuneration take into account, but are not driven by, independent benchmarking against similarly-sized suitable UK-listed companies and selected international sector competitors The Committee monitors the level of reward to ensure that it is fair and proportionate in light of performance	To attract and retain the right calibre of executive to the Group
The reward elements support and drive a performance-oriented culture without taking undue risks	The total remuneration for Executive Directors is weighted most heavily towards the performance-related elements Key financial, strategic and personal performance are rewarded through the annual bonus plan and by setting appropriately challenging and motivating targets without encouraging undue risk taking A significant proportion of pay is delivered in shares and alignment with shareholders' interests is encouraged through our co-investment share plan (the Deferred Investment Share Plan) Risk in the reward arrangements is specifically considered annually by the Committee and reviewed with the Audit Committee	To place the performance of the business at the heart of reward and effectively align executives with the interests of shareholders and other stakeholders, including clients and employees
Programmes reward both short- and long-term performance	Challenging targets are aligned to shareholders' interests and ensure an appropriate balance between short- and long-term reward Short-term performance is measured through the annual bonus plan. Long-term performance is rewarded through the PIP, PPMP and DISP. The Committee keeps the balance between short-term and long-term plans under review	To motivate executives to take short- and long-term decisions that ultimately lead to the creation of long-term value
Directors' contractual arrangements are in line with UK governance guidelines and competitive market practice	Independent advice is taken and contractual arrangements are reviewed	To ensure the highest standards of governance
Shareholders are consulted when material changes to the policy are considered	Regular dialogue takes place with shareholders	To ensure that our shareholders fully understand and support the business strategy and how this is linked to our reward policy

How is the remuneration framework for executives aligned to our strategy?

The remuneration framework has been designed as an integral part of the Company's overall business strategy.

The Executive Incentive Plan (EIP) is based upon rewarding performance against the key financial performance measures of operating profit and cash. They are self-funding, thereby ensuring that payments are affordable.

Payments generated by financial performance may be increased or decreased depending on:

- performance against strategic objectives that are designed to create a platform for sustainable future performance
- performance against personal objectives related to an individual's own business area and the leadership of Group-wide programmes
- Executive Directors and Executive Committee members are required to invest an amount equivalent to at least 10% of their gross annual bonus in Logica shares through the Deferred Investment Share Plan (DISP). To further align senior management interests with those of shareholders, up to approximately 200 other senior managers and Logica Partners will invest an amount equivalent to 5% of their gross annual bonus in the DISP in respect of 2011 performance.

The Partners' Incentive Plan (PIP) reflects a culture in which the senior leadership is encouraged to put the interests of Logica above their own particular business responsibility by creating a pool based upon adjusted profit before tax (APBT). The awards are delivered in shares which aligns management to the long-term success of the organisation and their interests with those of our shareholders. The focus on the longer term and alignment with shareholder interests is further encouraged, for selected participants, through the Partners' Performance Multiplier Plan (PPMP) which rewards superior growth in APBT per share and for 2012 awards, the achievement of free cash flow targets.

What are the key elements of remuneration for Executive Directors?

The table below summarises the key elements of the Executive Directors' remuneration in 2012. Our Directors' total compensation comprises both fixed and variable elements, each of which is reviewed annually.

Objective	Policy	Award level	Additional information
Total compensation			
To provide competitive total compensation to executives allowing the Company to attract and retain talented leaders	Compensation will be commensurate with the executive's contribution to the Company. The Committee intends to pay appropriately, based on skill, experience and the performance achieved by its executives	Total compensation is determined with reference to the remuneration policy for senior executives outlined on page 71	
Annual base salary			
Reflects an employee's market value, responsibility, experience and contribution to the Group and his/her individual performance	Reviewed annually on 1 April. Market-competitive base salaries are set against suitable comparator companies based on size, sector and international scope	Salaries are reviewed against business and personal performance, local market conditions and take account of pay increases within the Group	Salaries for Executive Directors will not be increased in 2012. Executive Committee members salaries will increase by an average of 3% in 2012
Annual incentive plan			
The Executive Incentive Plan incentivises executives to achieve and exceed specific short-term financial, strategic and personal objectives; the deferred element contributes to retention and alignment with shareholders	Paid in a mixture of cash and deferred shares. Maximum reward only pays out for achieving stretching targets. See page 74 for a description of the measures used. Requirement to invest 10% of gross annual bonus in shares for three years with an option to invest up to a maximum of 25% (see DISP)	Incentive awards range from 0 to a maximum of 125% of annual salary. A baseline bonus is calculated based upon performance against key financial metrics. This is modified by a multiplier based on performance against key strategic objectives and an individual's personal contribution to the Group	Financial measures for 2012 relate to operating profit and cash. Strategic measures for 2012 support the three-year business plan, in particular improving performance in our weaker markets; globalisation and productivity

Objective	Policy	Award level	Additional information
Deferred Investment Share Plan (DISP)			
A deferred bonus plan which aligns interests of shareholders and executives through investing in Logica's shares and encourages executives to build a significant shareholding in the Group	Executive Directors are required to invest a minimum of 10% of their gross annual bonus in shares. They may make an additional voluntary investment such that in total a maximum of 25% of their gross annual bonus may be invested in shares. In return for their personal investment they receive matching shares which are released conditional upon Group performance over a three-year period	Matching awards are on a two to one basis and are subject to three year performance conditions	Executive Committee members are also required to invest in the plan on the same basis as Executive Directors. Matching awards vest subject to total shareholder return and APBT* per share performance conditions. Other senior managers will also participate in the plan with a one-to-one match and without performance conditions, other than continued employment applying to the matching awards'. (See DISP on page 75)
Partners' Incentive Plan (PIP)			
A long-term incentive that is designed to reward Logica Partners for sustained Group performance (measured by APBT*) to ensure management and shareholder interests are aligned	Awarded in shares, it comprises an Annual Pool, the size of which is up to 5% of the previous year's adjusted pre-tax profit. The size of the Pool is determined by performance against a profit target set by the Committee. Shares vest after three years	The value of the Annual Pool is divided into points. These points are distributed at a pre-determined flat rate to Logica Partners with a proportion typically being set aside to provide additional reward to top performers who are below Managing Partner level	The PIP applies to Logica Partners – up to approximately 200 people
Partners' Performance Multiplier Plan (PPMP)			
This plan is directly linked to the PIP and is designed to reward exceptional growth over a rolling three-year basis	Shares awarded under the PPMP are only released for achieving stretching Group targets over a forward looking three-year period. The performance targets are set at grant	Linked to the annual PIP grant, the number of shares awarded is twice that of the Partners' Incentive Plan share award	For 2012 two-thirds of shares vest for adjusted profit before tax and one-third of shares vest based on free cash flow* performance. (See table on page 75) The PPMP will apply to selected Partners within Logica up to approximately 80 people.
Pension			
To provide benefits to employees at retirement	Executives with UK contracts may participate in the defined contribution plan or receive a cash allowance in lieu	Employer contributions for Executive Directors with UK contracts: Chief Executive Officer: 30% of annual base salary Other Executive Directors: 20% of annual base salary	

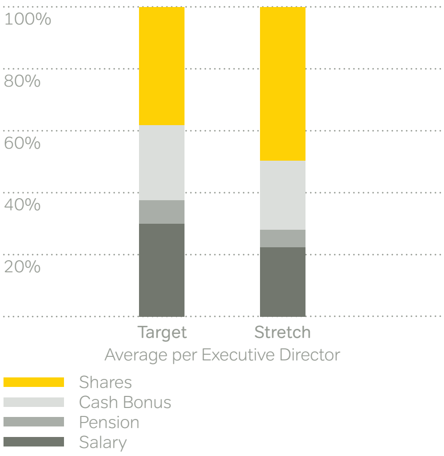
* For definition of pro forma and adjusted measures see page 45; and free cash flow see page 74.

Governance

What is the expected value of the annual remuneration package for Executive Directors?

The table below illustrates the mix between the different reward elements for Executive Directors in 2012 at target and at stretch and demonstrates that a significant proportion is linked to performance.

Remuneration Mix



How are risks in the remuneration arrangements of executives considered?

On an annual basis the Committee reviews executive remuneration arrangements to ensure that they do not encourage undue risk and that the arrangements, when taken as a whole, provide an appropriate balance. At the end of 2010, the Committee's independent remuneration adviser analysed the reward arrangements against a number of risk categories including: financial, behavioural and strategic and concluded that the current remuneration and reward strategy, remuneration structure and other remuneration-related internal controls put the Company in a good position from a risk and remuneration perspective. No major changes were made to plans in 2011 which would impact on the risk profile. The Committee remains particularly vigilant to ensure that the plans both reward performance and also support the retention of key executives.

What are the principal remuneration programmes?

Annual base salary

Base salaries are reviewed annually. The Committee takes account of the broad economic environment and the general movement of pay across the Company.

In reviewing salaries for 2012 the Committee has taken account of:

- business performance
- expected pay increases across the Company
- individual capability and contribution and
- the competitiveness of the overall package against the market.

There will be no increase to salaries of Executive Directors in 2012. Details of the annual base salaries of Executive Directors are shown on page 77.

Annual bonus

The Executive Incentive Plan (EIP) rewards executives for achieving key financial, business, strategic and personal objectives.

The EIP for 2012 comprises a baseline incentive that rewards performance against financial results (operating profit and cash); a 'Key Focus Area' related to the individual's global responsibilities; strategic measures; and personal performance. The payment calculated for the key focus area and in relation to financial performance is increased or decreased depending on performance under the other two factors. The Committee has taken account of feedback from shareholders and changed the Group cash measure for 2012 to a measure of free cash flow[1] (from Group net debt previously).

Deferred Investment Share Plan (DISP)

The DISP requires Executive Directors and members of the Executive Committee to invest a minimum of 10%, and allows up to a maximum of 25%, of their gross annual bonus payment in Company shares. Provided that Directors and EC members remain in the Group's employment, retain their shares for three years and the performance conditions are met, the Company will match the shares in a ratio of two-to-one. (In previous years the investment has been calculated as a minimum of 20% and maximum of 50% of after tax bonus and shares have been matched on a one-to-one gross of tax basis. The change simplifies communication and administration, without changing the level of matching shares and without any material impact on the amount invested by individuals).

The performance conditions (which are identical for the DISP and the Long Term Incentive Plan (LTIP)) contain elements of both earnings growth (APBT per share) and Total Shareholder Return (TSR). Details of these conditions may be found on page 85 (for 2011 and prior awards) and the graphics on page 76 for 2012. The comparator group for 2011 and 2012, against which the TSR measurement is calculated, comprises the constituents of the FTSE 350 (excluding investment trusts and financial services).

Calculation of annual bonus

Baseline Bonus %

0 – 125% of salary based on:

- Group profit and cash
- BU profit and cash for business unit BU leaders
- Performance objective related to global responsibility for BU and function leaders

x

Strategic and Personal Performance Multiplier ranging from 0 – 2 based on achievement of key strategic and personal objectives

=

Total Incentive % Payable
Capped at 125% of annual base salary

1 Free cash flow is a derived measure of net operating cash flow which takes adjusted operating profit and adds back non-cash items relating to depreciation and amortisation, adjusts for changes in working capital and deducts capex, interest and tax paid.

To encourage wider share ownership across the Group, for awards made in 2012, the Plan will be extended to approximately 200 of the Company's senior managers and Logica Partners to further align their interests with those of our shareholders. These participants will invest an amount equal to 5% of their gross annual bonus through the Plan. Provided that they remain employed by the Company and retain their shares for three years, the Company will match the shares on a one-to-one basis.

Partners' Incentive Plan and Partners' Performance Multiplier Plan

The PIP and Partners' Performance Multiplier Plan (PPMP) form an integral element of the Company's overall strategy to create a unified Logica, drive cultural change and deliver value to shareholders in the medium and longer term. Around 200 senior leaders are appointed as 'Logica Partners'. A small number (up to approximately 40) who have particularly significant leadership roles are appointed as Executive or Managing Partners.

The key features of the PIP are:

- the PIP is a profit share plan in which the award is delivered as shares which vest after three years
- a pool is established each year dependent upon the Company's APBT. Once the target, set by the Committee, has been exceeded, the pool may deliver up to 5% of the Company's APBT for the year, less an estimation of employer social security costs
- the Committee allocates the annual pool between Logica Partners on a points-based system
- there is a minimum PIP point value of £50 for APBT greater than £200 million
- the PIP pool accrues further value above 85% of target
- target is normally expected to be no less than budgeted APBT for the year. At this level and above, the PIP pool would be equal to 5% of APBT
- the value of a participant's final points allocation of the annual pool is used to provide a conditional award of ordinary shares in the Company and, subject to continued employment, will vest on the third anniversary of grant. The calculation of the PIP point value is illustrated in the graph below.

The key features of the PPMP are:

- the PPMP is linked to the PIP and provides for an annual award to Executive and Managing Partners of two times the number of shares awarded under the PIP. Participants have a contingent right to receive shares after three years subject to continued employment and achievement of a performance condition
- awards are subject to two performance conditions, two thirds are related to growth in APBT per share and one third is related to free cash flow over a three-year period
- for awards made in 2011 (by reference to PIP shares awarded in 2011), the performance period is the three-year period to 31 December 2013 and for awards made in 2012 (by reference to PIP shares to be awarded in 2012), the performance period is the three-year period to 31 December 2014

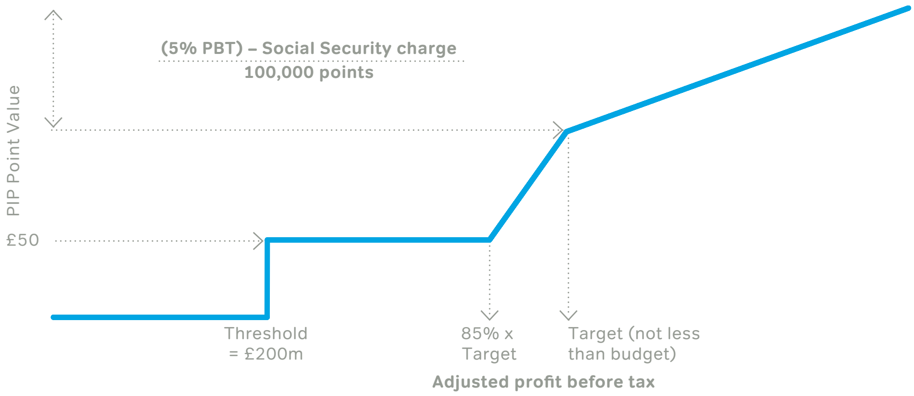
Governance

PPMP Performance Conditions 2012

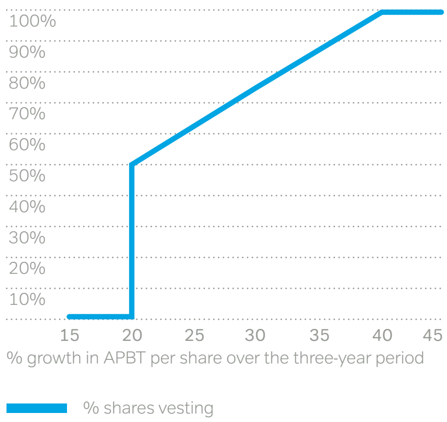
Measure	Proportion of shares related to condition	Performance level at which 50% of the shares related to the performance condition vest	Performance level at which 100% of the shares related to the performance condition vest
Free cash flow[1] (£m)	One third	Threshold	Target
Adjusted profit before tax per share growth	Two thirds	20% growth over three years	40% growth over three years

[1] For definition of free cash flow see page 74.

Illustration of the Partners' Incentive Plan



PPMP growth in APBT per share



- at the minimum required level of performance the total number of shares that would vest is equal to the number of shares awarded under the relevant linked PIP award. If maximum performance is achieved on both conditions, the total number of shares that will vest is equivalent to two times the number of PIP shares awarded. No shares will vest in respect of a performance condition if the minimum performance level has not been achieved.

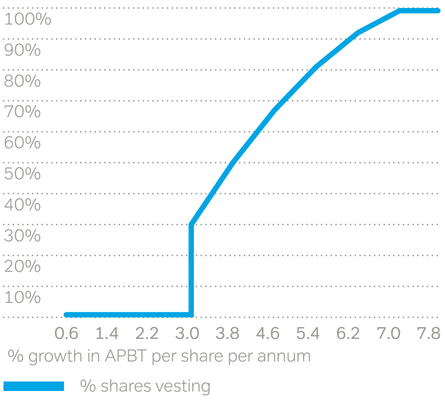
The vesting schedule for each condition is set out on page 75. The Committee considers the conditions to be suitably challenging.

Restricted Share Plan
The Company operates a Restricted Share Plan. This Plan is used below Board level for new hires and for retention purposes. Typically the Plan is used in connection with the recruitment of senior employees where it is necessary to compensate for the value of share-based awards forfeited on cessation of employment with previous employers and/or to offer a joining grant or to support the retention of critical employees (with awards being satisfied by market purchase shares).

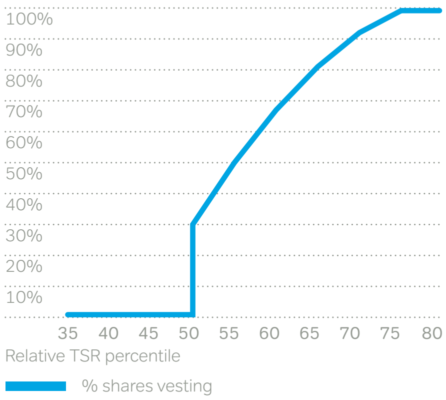
Other share plans
Additionally, Logica operates the following share plans:
- Long Term Incentive Plan (LTIP) – the Company has retained the LTIP for use where appropriate (for example senior new hires). Awards under the LTIP are usually granted as a conditional award of shares subject to performance conditions and released following the third anniversary of the date of grant
- Share Option Plan (SOP) – the Company has retained a share option plan which would normally only be used in circumstances where the use of other discretionary plans may be inappropriate, for example, due to local taxation or securities regulations. No options were granted under this plan in 2011
- Employee Share Match Plan – for all employees in some countries, subject to local regulatory arrangements and where practicable
- Employee Stock Purchase Plan – for employees in the United States
- Logica Insight and the Plan d'Epargne d'Enterprise – tax efficient savings contracts for employees in France
- UK-approved Sharesave and an International Sharesave Plan offered to eligible employees in certain countries where possible and practicable.

Further details of the performance conditions attached to these plans (where applicable) may be found on pages 85 and 87.

DISP/LTIP APBT growth per share (50%)



DISP/LTIP TSR (50%)



What arrangements are in place to claw back variable pay in exceptional circumstances of misstatement or misconduct?
From 2011 onwards, claw back provisions introduced by the Committee will enable claw back on bonus and benefits receivable in relation to awards under the DISP, PIP, PPMP and LTIP in the event of material misstatement of the Company's accounts or in the event of termination of service for misconduct.

What is the shareholding requirement for Executive Directors and Executive Committee?
Executive Directors and EC members are expected to acquire and retain a significant holding in the Company under the Share Retention Policy. The requirement is expressed as a percentage of annual base salary as outlined below. The Committee considers salary to be the most appropriate reference point as it is less volatile than total remuneration, it is easily understood and compliance is easily measured.

It is anticipated that the requirement will normally be achieved through participation in the Company's share plans.

	Shareholding requirement (percentage of annual base salary)
CEO	200%
Executive Directors	100%
Executive Committee	50%

For Executive Directors, the shareholding as at 31 December 2011, as a percentage of annual base salary, is shown below.

Name	Shareholding requirement as a percentage of annual base salary	Value of shareholding[1] as a percentage of annual base salary
Andy Green	200%	272%
Seamus Keating	100%	178%
Himanshu Raja[2]	100%	22%

1 Based on the three-month average share price to 31 December 2011 or the acquisition price – whichever is the higher.
2 Appointed to the Board on 5 September 2011.

2011 remuneration review

This section describes the key remuneration decisions taken by the Committee in relation to 2011 and 2012.

Annual base salary
For 2012, the Committee considered the economic situation, business performance, individual contribution and anticipated pay increases around the Group. The Committee decided not to increase the salaries of Executive Directors. Salaries for the Executive Committee increased by an average of 3%. Pay increase budgets around the Group will typically be in the range of 2%-5% in 2012, with high performers being awarded higher increases.

The annual base salaries of Executive Directors effective 1 April 2012, are summarised below.

Annual bonus
The Executive Incentive Plan (EIP) is intended to reward executives for:
- achieving key short-term financial targets (operating profit and net debt)
- performance against strategic measures (gross margin, business development, brand effectiveness)
- their individual personal contribution to the performance of the Group

In 2011, Group operating profit performance was below threshold. Consequently no bonus is due to Andy Green and Seamus Keating in respect of 2011 performance (2010: Andy Green 72% of salary and Seamus Keating 71%).

As Himanshu Raja only joined the Company on 4 July 2011 and was appointed to the Board on 5 September 2011, the Committee decided that the normal performance conditions for the EIP for 2011 would not apply in his case. The Committee agreed to award Himanshu Raja a bonus of £100,000 for 2011 in recognition of his strong performance since joining the Company. Himanshu Raja has elected to invest 25% of this bonus into the DISP (the maximum allowable under the plan rules).

Deferred Investment Share Plan
Awards under the DISP were made to Executive Directors in March 2011 in respect of 2010 bonus deferred. Andy Green invested 50% of his after-tax annual bonus payment in the DISP, the maximum investment allowable under the Plan rules.

Executive Directors' annual salaries

Name	2010	2011	**2012**
Andy Green[1]	£700,000	£750,000	**£750,000**
Seamus Keating[1]	£420,000	£450,000	**£450,000**
Himanshu Raja[2]	n/a	£400,000	**£400,000**

1 Andy Green's and Seamus Keating's annual base salary for 2011 was effective from 1 April 2011.
2 Himanshu Raja joined Logica on 4 July 2011 and was appointed to the Board on 5 September 2011.
Please see the Emoluments table on page 81 for actual salaries in 2011.

Seamus Keating invested 33% of his after-tax annual bonus in the Plan. The Plan contains two performance conditions, growth in APBT per share and TSR. Details of these performance conditions may be found on page 85.

Partners' Incentive Plan and Partners' Performance Multiplier Plan

Awards were made in 2011 in respect of 2010 performance under the PIP and PPMP.

For 2011 underlying performance was below 85% of target but greater than £200m. A minimum award with a PIP point value of £50 will therefore, be made in 2012. The value of the awards to the Executive Directors is shown below. The Committee agreed to a proposal from Andy Green and Seamus Keating that, given the impact of the restructuring announcement on people and shareholders, they should not receive a PIP or PPMP award in 2012 and therefore, no award will be made to them.

For PPMP awards the number of shares awarded is equivalent to twice the number of shares awarded under the PIP. The proportion of shares that vest depends on performance against challenging performance conditions. For awards made in 2012, the Committee, taking account of shareholder feedback, decided to introduce an additional performance condition related to cumulative free cash flow over three years, in addition to the existing performance condition based on growth in APBT per share over three years. The performance conditions and vesting schedule is shown on page 75.

For awards made in 2011 the performance period is three years up to 31 December 2013. Details of the awards can be found on pages 83 and 84.

For awards made in 2012 the performance period will be three years up to 31 December 2014.

Special LTIP award

A one-off share award was made to Seamus Keating under the LTIP in 2011. Benelux-specific performance conditions were set for 2011 and 2012, with the awards vesting in 2014 if all conditions are met and subject to continued employment. The 2011 measures related to Benelux profitability; improving the proportion of Outsourcing and achieving an overall increase in orders. The performance conditions for 2011 were not met and no shares will vest in relation to the 2011 measures.

For 2012 the performance conditions relate to operating profit and operating cash flow. If both conditions are achieved in full, 50% of the shares awarded will vest in 2014.

CFO Appointment

Himanshu Raja joined the Company on 4 July 2011 as Chief Financial Officer on an annual base salary of £400,000. He was appointed to the Board on 5 September 2011. Himanshu Raja will participate in the EIP, DISP, PIP and PPMP. He will also receive benefits and pension allowance in line with normal practice. In August 2011, in recognition of awards forfeited on cessation of his previous employment, Himanshu Raja received an award of 324,970 shares under the LTIP which, subject to performance conditions, will vest in 2014 and an award of 433,294 shares under the Restricted Share Plan, 50% of which will vest in July 2012 and 50% of which will vest in 2013.

Value of share grants to be made in March 2012 in relation to 2011 performance

Name	PIP Points	Value of a PIP point re 2011	Value of PIP shares re 2011	Value of PPMP shares re 2011*
Andy Green	4,000	£50	£0	£0
Seamus Keating	2,250	£50	£0	£0
Himanshu Raja	2,250	£50	£112,500	£225,000

* Subject to APBT per share and the free cash flow performance conditions.

What are the current service contracts and terms of employment for Directors?

Each Executive Director has a service agreement that continues unless terminated by either party. No Executive Director's service contract includes a liquidated damages clause or contains enhanced provisions in the event of a change of control. Executive Directors' and EC members' contracts do not contain any provision for compensation upon termination of employment beyond payment in lieu of contractual notice and benefits. The principal terms of the service agreement and benefits are summarised on page 79.

Benefits and pensions

Benefit and pension entitlements are in line with normal practice for the country in which the executive resides. Current benefits for Executive Directors are outlined on page 79.

What are the Executive Directors' external board appointments?

Non-Executive directorships

Executive Directors may normally accept and maintain one non-executive appointment in a major company at any one time. Such appointments can broaden their knowledge and experience and be beneficial to the Company. Fees earned by Executive Directors are retained by the relevant Director, reflecting their personal risk assumed in such appointments. These are shown in the table on page 79.

What are the remuneration and contractual arrangements for Non-Executive Directors?

The Chairman's fee is determined by the Board following recommendation from the Committee and the Chief Executive Officer. The fees of the other Non-Executive Directors are approved by the Executive Directors based upon recommendations from the Chairman and the Chief Executive Officer.

A review of the fees and fee structure for the Non-Executive Directors was undertaken at the end of 2010 (having last been increased in January 2008).

Executive Directors' terms of employment

Name	Employment contract	Effective date of appointment	Benefit summary	Notice period	Contract details
Andy Green	**UK**	**1 January 2008**	Pension; life insurance; permanent health insurance; private medical insurance benefits; medical check-up; car allowance; chauffeur service for business and home to work travel; personal accident insurance	One year from the Company, six months from the individual	Any payment made in lieu of notice is calculated on the basis of gross salary, plus 30% pension contribution plus a contribution to the value of benefits. The contract includes a mitigation clause, requiring the executive actively to seek alternative employment during the notice period – payments will be reduced accordingly if such employment is found
Seamus Keating	**UK**	**1 January 2002**	Pension; life insurance; permanent health insurance; private medical insurance benefits; medical check-up; company car and fuel (or cash allowances in lieu); an interest free travel ticket loan; personal accident insurance	One year from the Company, six months from the individual	Any payment made in lieu of notice is calculated on the basis of gross salary, plus 12.5% as a contribution to the value of benefits. If the Company makes a payment in lieu of notice, his entitlement to a company car will continue as if notice had been given to him in the event of termination of employment by the Company
Himanshu Raja	**UK**	**5 September 2011**	Pension; life insurance; permanent health insurance; private medical insurance benefits; medical check-up; car allowance and fuel	One year from the Company, six months from the individual	Any payment made in lieu of notice is calculated on the basis of gross salary, plus 20% pension contribution plus a contribution to the value of benefits. The contract includes a mitigation clause, requiring the executive actively to seek alternative employment during the notice period – payments will be reduced accordingly if such employment is found

External Board appointments

Name	Company	Annual fee
Andy Green[1]	ARM Holdings plc	£42,816
Seamus Keating[2]	Mouchel Group plc	£37,500

1 With effect from 25 February 2011.
2 With effect from 4 November 2010.

Governance

It was decided that no change would be made to the Chairman's fees in 2011 or 2012. The fees for other Non-Executive Directors were increased from 1 January 2011 to recognise the additional responsibilities and workload undertaken by the Non-Executive Directors. No change is being made to fees for 2012.

Part of the base fee is delivered in shares and Non-Executive Directors are encouraged to build up and retain a shareholding of one times their annual fee during their tenure.

The 2011 and 2012 fees for Non-Executive Directors are shown in the adjacent table.

The Board has the power to award additional fees to Non-Executive Directors for services outside the scope of their ordinary duties. No such additional payments were made in 2011.

Contractual arrangements

The Chairman and Non-Executive Directors do not have service contracts with the Company. They are not normally eligible to participate in performance-related bonus plans, Group share plans or Group employee benefit arrangements.

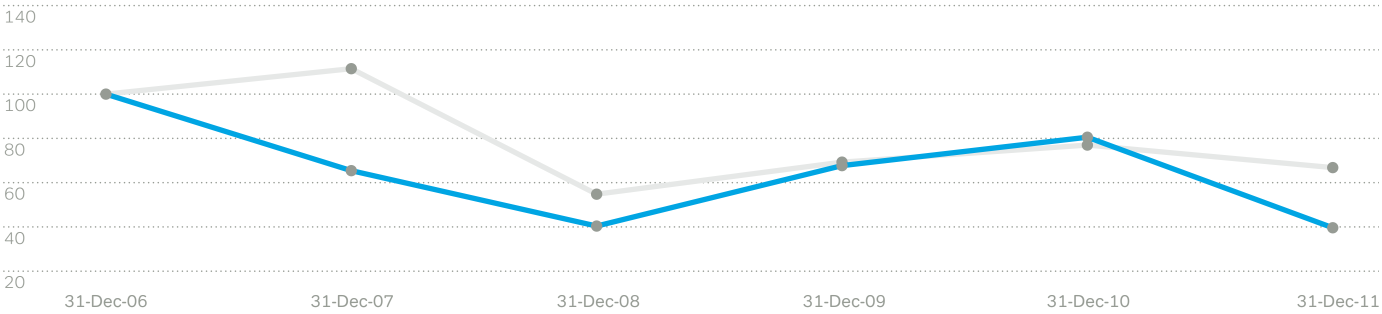
They are not entitled to any payments for loss of office or any unexpired term of their appointment as a Non-Executive Director.

Non-Executive Directors' Fees

Role	2011 fee (£pa)	2012 fee (£pa)
Chairman[1, 2]	£300,000	**£300,000**
Non-Executive base fee[1]	£47,000	**£47,000**
Senior Independent Director	£13,000	**£13,000**
Audit Committee Chairman	£18,000	**£18,000**
Remuneration Committee Chairman	£15,000	**£15,000**
Audit Committee member	£5,000	**£5,000**
Remuneration Committee member	£5,000	**£5,000**

1 Part of the base fee is delivered in shares (£30,000 for the Chairman and £10,000 for other Non-Executive Directors).
2 Additional fees are not payable to the Chairman of the Board.

Total shareholder return – value of hypothetical £100 holding



Source: Thomson Reuters
Dow Jones STOXX 600 Technology index
Logica

This graph shows the value, by 31 December 2011, of £100 invested in Logica plc on 31 December 2006 compared with the value of £100 invested in the Dow Jones STOXX 600 Technology Index (with the average 12 month dividend yield of the constituents reinvested). The other points plotted are the values at intervening financial year-ends.

Details of Directors' remuneration and share interests

Directors' remuneration (this information has been audited)

	Salary and fees £'000	Performance-related bonus £'000	Other payments £'000	Benefits in kind £'000	**Total 2011 £'000**	Total 2010[1] £'000	Pension contributions 2011[2] £'000	Pension contributions 2010[1] £'000
Executive Directors								
Andy Green	738	–	–	29	**767**	1,233	221	210
Seamus Keating[3]	420	–	30	21	**471**	735	111	84
Himanshu Raja[4]	131	100	–	7	**238**	–	26	–
	1,289	100	30	57	**1,476**	1,968	358	294
Non-Executive Directors								
David Tyler[5]	300	–	–	1	**301**	301	–	–
Frédéric Rose[6]	52	–	–	–	**52**	50	–	–
Jan Babiak[7]	65	–	–	–	**65**	57	–	–
Noël Harwerth[7]	62	–	–	–	**62**	57	–	–
Sergio Giacoletto[7]	65	–	–	–	**65**	60	–	–
Wolfhart Hauser[7]	52	–	–	–	**52**	50	–	–
	596	0	0	1	**597**	575	0	0
Total	1,885	100	30	58	**2,073**	2,543	358	294

1 Figures shown as reported in 2010 (i.e. not at constant f/x rates).
2 Pension contributions include cash payment in lieu of contribution to approved pension plan. Andy Green and Himanshu Raja took the whole of their allowance as cash (30% and 20% of salary respectively). In line with government limits, a contribution of £50K is made to an approved pension for Seamus Keating and the balance is taken as cash (to a total of 20% of salary). For 2011, employee pension contributions are made through salary sacrifice and have the impact of reducing the reported salary and increasing the reported pension contribution. For 2010, employee pension contributions were reported as salary.
3 In respect of his assignment to the Netherlands, Seamus Keating received the following additional benefits: a mobility premium of £30k (shown under "other payments" above); housing in the Netherlands (value £41.5k); international medical cover (included in the table above); flights between the UK and Netherlands; a per diem to cover incidental additional expenses.
4 Himanshu Raja joined Logica on 4 July and was appointed to the Board on 5 September 2011.
5 £30,000 of the annual fee is taken as shares.
6 Frédéric Rose has a Share Purchase Agreement in place, in accordance with paragraph 17 of the Model Code, effective 28 June 2010. All Mr Rose's fees are used to purchase Logica ordinary shares.
7 £10,000 of the annual fee is taken as shares.

Directors' Interests in Logica ordinary shares (this information has been audited)

The beneficial interest of the Directors in the shares of the Company are shown below. There have been no changes in the Directors' interest in shares between the end of the financial year and 12 March 2012.

	Ordinary Shares as at 1 January 2011 or date of appointment	Ordinary shares as at 31 December 2011
Executive Directors		
Andy Green	1,866,143	2,462,229
Seamus Keating	552,049	718,601
Himanshu Raja[1]	100,000	100,000
Non-Executive Directors		
David Tyler (Non-Executive Chairman)	359,817	371,956
Noël Harwerth	20,270	24,724
Jan Babiak	4,252	8,477
Wolfhart Hauser	57,379	61,759
Sergio Giacoletto	13,336	17,716
Frédéric Rose[2]	18,051	58,138

1 Himanshu Raja was appointed to the Board on 5 September 2011.
2 Frédéric Rose has a Share Purchase Agreement in place, in accordance with paragraph 17 of the Model Code, with effect from 28 June 2010. All Frédéric Rose's Logica fees are used to purchase Logica ordinary shares.

None of the Directors hold non-beneficial holdings.

The market price of the shares at 31 December 2011 was 61.7p (31 December 2010 was 131p) and the range during the period 1 January to 31 December 2011 was 58.95p to 147.2p.

The Company's Register of Directors' Interests, which is open to inspection, contains full details of Directors' shareholdings and options to subscribe for shares.

At 31 December 2011, the Logica Employee Share Ownership Plan Trust owned 10,910,510 shares. Between 1 January and 1 March 2012, the holding of the Trust reduced by 8,738 following the exercise of options by employees. Andy Green, Seamus Keating and Himanshu Raja held rights over shares held in the trust.

Directors' Interests in long-term incentive plans (this information has been audited)

Share Plans

	Date of award	Maximum shares receivable at 1 January 2011 or date of appointment	Shares awarded during the year	Shares vested during the year	Shares lapsed during the year	Maximum shares receivable at 31 December 2011	Market value on date of award (p)	Market value on date of vesting (p)	Vesting date
Andy Green									
Restricted Shares[1]	27-Feb-08	316,963	–	316,963	–	–	105.25	131.91	31-Mar-11
Long Term Incentive Plan	04-Apr-08	954,545	–	477,273	477,272	–	110.25	129.45	19-Apr-11
	23-Mar-09	750,000	–	–	–	750,000	69.00	–	23-Mar-12
	26-Mar-10	158,511	–	–	–	158,511	129.00	–	26-Mar-13
Partners' Incentive Plan	23-Mar-09	147,362	–	–	–	147,362	69.00	–	23-Mar-12
	26-Mar-10	75,782	–	–	–	75,782	129.00	–	26-Mar-13
	30-Mar-11	–	250,096	–	–	250,096	134.46	–	30-Mar-14
Partners' Performance Multiplier Plan	08-May-09	294,724	–	–	–	294,724	81.16	–	23-Mar-12
	26-Mar-10	151,564	–	–	–	151,564	129.00	–	26-Mar-13
	30-Mar-11	–	500,192	–	–	500,192	134.46	–	30-Mar-14
Deferred Investment Share Plan[3, 4]	06-Apr-09	619,926	–	–	–	619,926	67.75	–	06-Apr-12
	26-Mar-10	223,538	–	–	–	223,538	132.90	–	26-Mar-13
	30-Mar-11	–	187,490	–	–	187,490	134.46	–	30-Mar-14
TOTAL		3,692,915	937,778	794,236	477,272	3,359,185			

Governance

	Date of award	Maximum shares receivable at 1 January 2011 or date of appointment	Shares awarded during the year	Shares vested during the year	Shares lapsed during the year	Maximum shares receivable at 31 December 2011	Market value on date of award (p)	Market value on date of vesting (p)	Vesting date
Seamus Keating									
Long Term Incentive Plan[2]	04-Apr-08	545,455	–	272,728	272,727	–	110.25	129.4536	19-Apr-11
	23-Mar-09	450,000	–	–	–	450,000	69.00	–	23-Mar-12
	26-Mar-10	89,162	–	–	–	89,162	129.00	–	26-Mar-13
	30-Mar-11	–	334,672	–	–	334,672	134.46	–	30-Mar-14
Partners' Incentive Plan	23-Mar-09	82,891	–	–	–	82,891	69.00	–	23-Mar-12
	26-Mar-10	42,627	–	–	–	42,627	129.00	–	26-Mar-13
	30-Mar-11	–	140,679	–	–	140,679	134.46	–	30-Mar-14
Partners' Performance Multiplier Plan	08-May-09	165,782	–	–	–	165,782	81.16	–	23-Mar-12
	26-Mar-10	85,254	–	–	–	85,254	129.00	–	26-Mar-13
	30-Mar-11	–	281,358	–	–	281,358	134.46	–	30-Mar-14
Deferred Investment Share Plan[3, 4]	06-Apr-09	247,722	–	–	–	247,722	67.75	–	06-Apr-12
	26-Mar-10	82,620	–	–	–	82,620	132.90	–	26-Mar-13
	30-Mar-11	–	73,763	–	–	73,763	134.46	–	30-Mar-14
TOTAL		1,791,513	830,472	272,728	272,727	2,076,530			
Himanshu Raja[5]									
Long Term Incentive Plan	09-Aug-11	324,970	–	–	–	324,970	92.316	–	09-Aug-14
Restricted Share Plan	09-Aug-11	433,294	–	–	–	216,647	92.316	–	04-Jul-12
	09-Aug-11	–	–	–	–	216,647	92.316	–	04-Jul-13
TOTAL		758,264	–	–	–	758,264			

1 On release of Andy Green's 2008 Restricted Share award a further 35,470 additional shares were released representing the amount of dividend paid from the award date to the share release date. Andy Green's 352,433 Restricted Shares released on 31 March 2011 realised a gain of £464,895. His 477,273 Long Term Incentive Plan shares released on 19 April 2011 realised a gain of £617,847. Sufficient shares were sold to cover the immediate liabilities to tax otherwise all the shares were retained.
2 Seamus Keating's 2008 Long Term Incentive Plan shares released on 19 April 2011 realised a gain of £353,056. Sufficient shares were sold to cover the immediate liabilities to tax otherwise all the share were retained.
3 Investment shares purchased by participants at the time of the award in the Plan are included in the Directors' interests table on page 82
4 The Deferred Investment Share Plan was formerly known as the Executive Equity Participation Plan.
5 Himanshu Raja was appointed to the Board on 5 September 2011

Subject to certain conditions being satisfied the awards of shares shall be transferred to the participant on, or as soon as reasonably practicable, after the vesting date.

The performance conditions applying to awards made under the Deferred Investment Share Plan, the Long Term Incentive Plan, and the Partners' Performance Multiplier Plan are described on page 85.

Performance Conditions applying to previously granted awards

Deferred Investment Share Plan (DISP) and Long Term Incentive Plan (LTIP) – 2009 awards		Percentage of shares that vest
50% of each award in 2009 was subject to an EPS performance condition where the average EPS growth p.a. is measured against Logica's previous years EPS growth over a three-year period	Growth in EPS of + 7% p.a.	100%
	Growth in EPS of + 3% p.a.	30%
	Less than growth of + 3% p.a.	0%
	Awards may vest on a sliding scale between 30% and 100% for average EPS growth of between + 3% and +7%	
50% of each award in 2009 was subject to a Total Shareholder Return performance condition*	TSR Upper Quartile (or 75%)	100%
	TSR Median (50%)	30%
	Below Median ranking	0%
	Awards may vest on a sliding scale between 30% and 100% within the 50th and 75th percentile	
DISP and LTIP 2010 and 2011 awards		
50% of each award was subject to an adjusted profit before tax (APBT) growth per share over a three-year period	7% growth in APBT per share p.a.	100%
	3% growth in APBT per share p.a.	30%
	Less than 3% growth in APBT p.a.	0%
	Awards may vest on a sliding scale between 30% and 100% for APBT growth of between 3% and 7%	
50% of each award was subject to a Total Shareholder Return performance condition*	TSR Upper Quartile (or 75%)	100%
	TSR Median (50%)	30%
	Below Median ranking	0%
	Awards may vest on a sliding scale between 30% and 100% within the 50th and 75th percentile	
Partners' Performance Multiplier Plan (PPMP) – 2009 award		
EPS growth over the three-year period to 31 December 2011	For EPS growth per share of 80% over the three-year period	PIP award shares matched 2:1
	For EPS growth per share of 40% over the three-year period	PIP award shares matched 1:1
	If EPS growth over the three-year period is less than 40% no awards will vest.	0%
PPMP 2010 and 2011 awards		
Growth in APBT over the three-year periods to December 2012 and December 2013 respectively	For growth in APBT per share of 40% over the three-year period	PIP award shares matched 2:1
	For growth in APBT per share of 20% over the three-year period	PIP award shares matched 1:1
	If EPS growth over the three-year period is less than 20% no awards will vest.	0%

* The comparator group for the DISP and LTIP 2009 awards comprised Accenture; Atos Origin; Capgemini; Capita; CGI Group, Computer Sciences Corporation; Dassault Systems; Group Steria; IBM; Infosys Technologies; Indra Sistemas; Misys; Ordina; Sage; SAP; Sopra Group; TietoEnator and Unisys. The comparator group for awards made for the Plans in 2010 and 2011 comprised the full FTSE 350 companies excluding investment trusts and financial services.

(LTIP = Long Term Incentive Plan; DISP = Deferred Investment Share Plan; PPMP = Partners' Performance Multiplier Plan).

The Committee sets performance conditions each time an award is made under the long-term incentive plans. EPS/APBT growth and TSR are the two performance measures previously applied to the LTIP, the DISP and, should it be used, the Share Option Plan (SOP). EPS and APBT growth remain substantially within the control of management and therefore the Committee continues to consider it an appropriate measure of the underlying financial performance of the Company. TSR measures the return on a notional investment in a company over a given period. TSR is determined by regard to the index measuring the growth in a company's shares price over a period, with the index assuming any dividends paid are reinvested in that company's shares on a net basis on the ex-dividend date. TSR can be a useful measure of a company's performance relative to other companies. The vesting schedule above shows how each half of an award could vest at the end of the relevant three-year performance period under the EPS and the TSR performance conditions. Partners' Performance Multiplier Plan awards for the 2009, and those in 2010 and 2011, have a stretching EPS and APBT performance condition respectively.

Directors' interests in share option plans (this information has been audited)

Share option plans

	Date of Grant	Maximum options receivable at 1 January 2011	Options granted during the year	Options exercised during the year	Options lapsed during the year	Maximum options receivable at 31 December 2011	Option price (p)	Option period
Andy Green								
UK Sharesave Plan	03-Apr-08	3,840	–	3,840	–	–	90.00	01-May-11 31-Oct-11
	08-Apr-09	5,422	–	–	–	5,422	54.00	01-May-12 31-Oct-12
	31-Mar-10	3,025	–	–	–	3,025	96.00	01-May-13 31-Oct-13
	31-May-11	–	2,850	–	–	2,850	114.00	01-Jul-14 31-Dec-14
TOTAL		12,287	2,850	3,840	–	11,297		
Seamus Keating								
1996 Executive Share Option Scheme	13-Sep-01	22,754	–	–	22,754	–	598.97	13-Sep-04 12-Sep-11
	24-Sep-02	341,310	–	–	–	341,310	107.23	24-Sep-05 23-Sep-12
	23-Sep-03	341,310	–	–	–	341,310	238.20	23-Sep-06 22-Sep-13
	07-Apr-05	341,310	–	–	–	341,310	159.09	07-Apr-08 06-Apr-15
TOTAL		1,046,684	–	–	22,754	1,023,930		

Options and awards granted pursuant to Logica's share plans were adjusted on 9 October 2005 following the Company's rights issue in accordance with the option/award number ratio of 1.13770 and the option price of 0.87896. The adjustment factors were approved by the relevant tax authorities in the UK and the Company's auditors.
Andy Green's 3840 options, exercised under the Company's UK Sharesave Plan on 12 May 2011, realised a gain of £2,088.96.

Performance conditions for option grants since March 2002

Executive Share Option Scheme – Dates of Grant	Average EPS growth in excess of growth in UK RPI	Percentage of shares that vest
7 March 2002	Growth in UK RPI +12% p.a.	100%
September 2002, 2003, 2004, 2005 and April 2006	Growth in UK RPI +7% p.a.	100%
	Growth in UK RPI +3% p.a.	20%
	Less than growth in UK RPI +3% p.a.	0%
	Awards may vest on a straight-line basis between 20% and 100% provided average EPS growth exceeded growth in UK RPI by 3% p.a.	

The performance conditions for share options awarded in the years noted above have been met. The achievement of the performance condition of an Executive Share option was dependent upon the percentage growth in the Company's earnings per share, adjusted for share plans, when compared to the percentage growth in the UK Retail Price Index (all indices). For the full award to be realised the percentage growth must have been equal to, or more than, the percentage target detailed at the time of the grant of options.

What is the current dilution of share capital by employee share plans?
Awards granted under the UK Sharesave, the International Sharesave, the LTIP, PPMP and, from 2010, the PIP awards, are satisfied with newly issued shares. Options granted under the Share Option Plan may be satisfied either by shares purchased in the market by the Company's offshore employee benefit trust or by the issue of new shares. Awards made under the Executive Equity Partnership Plan and DISP, the PIP in 2009, the Restricted Share Plan and the Employee Share Match Plan are satisfied by shares purchased in the market by the Company's offshore employee benefit trust. Shares awarded under the ESMP may also be satisfied by new issue shares but to date only market purchase shares have been used. Awards made under the US Stock Purchase Plan and the French Insight Plan are satisfied by market purchase shares only.

The table below summarises the current commitment to issue new shares in respect of its share plans assuming all performance conditions are met and all option and award holders remain in employment to the vesting date.

Current dilution of share capital by employee share plans

Share Plan Name	Outstanding options/awards as at 31 Dec. 2010	% of issued share capital as at 31 Dec. 2010	Outstanding options/awards as at 31 Dec. 2011	% of issued share capital as at 31 Dec. 2011
1996 Executive Share Option Scheme	6,978,037	0.44%	5,035,341	0.31%
Partners' Performance Multiplier Plan	2,188,965	0.14%	4,752,937	0.29%
Long Term Incentive Plan	17,325,836	1.08%	9,941,147	0.62%
Partners' Incentive Plan	1,335,839	0.08%	5,990,789	0.37%
2005 International Sharesave Plan	10,842,241	0.68%	7,212,669	0.45%
2005 UK Sharesave Plan	11,718,952	0.73%	10,800,924	0.67%
TOTAL	50,389,870	3.15%	43,733,807	2.71%

Remuneration Committee overview

What are the responsibilities of the Committee?

The Committee is responsible to both the Board and the shareholders. The Committee's principal responsibilities are summarised below:

- determining the overall policy for executive remuneration
- approving the remuneration packages and conditions of employment of the Chairman, the Executive Directors, the EC members, the Company Secretary, the Head of Internal Audit and other senior management
- approving the annual bonus targets for the senior executives
- overseeing the policy and management of the Company's employee share plans
- ensuring due consideration of environmental, social and corporate governance issues when setting the remuneration of Executive Directors
- ensuring that the Company pays appropriately for the performance achieved
- overseeing all associated risks arising throughout the Company when setting remuneration.

The Committee is guided by the financial and strategic priorities of the Group as outlined in other sections of this annual report. The Committee also takes account of the changing nature of the business; the markets in which it operates; and reward practices and employment conditions of employees throughout the Group.

The Committee's terms of reference are available on the Company's website at **www.logica.com/governance** or from the Company Secretary.

Who are the members of the Committee and how often did they meet?

The Committee is composed entirely of independent Non-Executive Directors:

Member	From
Noël Harwerth[1]	2007
Frédéric Rose	2009
David Tyler	2007

1 Chairman from 5 Nov 2007.

The Committee held four scheduled and four additional meetings during 2011. See page 67 of the Corporate governance report for details of attendance by individual members.

During the year the Committee took advice, as appropriate, from:

- New Bridge Street (NBS) (a trading name of Aon Corporation) have been independent advisers to the Remuneration Committee since October 2009. NBS also provided general compensation benchmark data to a number of countries within the Group and advised on the operation and implementation of the Company's share plans. Aon Corporation also provided insurance broking services to the Company during the year. The terms of engagement between the Company and NBS are available on request from the Company Secretary
- NBS is a founder signatory to the Code of Conduct for executive remuneration consulting.

In addition, advice was sought where appropriate from other sources, namely the Chief Financial Officer and the Chief People Officer.

The Committee may invite any of the Executive Directors to attend all or part of its meetings. Individuals are not present when their own remuneration is being discussed.

The size and experience of the Committee is appropriate for the size of the Board and the experience of the individual members is appropriate to ensure that the Committee maintains its independence to oversee the remuneration policies of the Company.

In line with the requirements of the UK Corporate Governance Code, the Board undertook a review of the effectiveness of the Committee during the year. Overall the Committee performed well; was sufficiently briefed on changing market practice and governance requirements.

What have been the key matters considered by the Committee during the year?

In addition to continuing to monitor executive remuneration arrangements to ensure that they remain appropriate to the short- and longer-term objectives of our Company, the Committee considered the following key topics:

- approved executive performance and bonus payments in respect of 2010
- approved executive bonus arrangements and targets for 2011
- reviewed executive and employee share plans (including performance conditions)
- reviewed the compensation arrangements for the Executive Committee
- considered executive remuneration arrangements from the perspective of risk
- approved the Directors' Remuneration Report.

During 2012 the Committee intends to:

- consider executive bonus arrangements and targets
- consider executive and employee share plans including performance conditions for discretionary plans
- consider effectiveness of current performance-related plans
- review remuneration arrangements and risk
- approve the Directors' Remuneration Report.

Noël Harwerth

Noël Harwerth
Chairman, Remuneration Committee
12 March 2012

Financial statements

Logica in ten: clients

Revenue from our top 50 clients was up 11% despite a difficult market and now represents 44% of Group revenue, compared to 42% at the end of 2010.

See and hear more online:
annualreport.logica.com/our-stories/

Independent auditors' report to the members of Logica plc

We have audited the Group financial statements of Logica plc for the year ended 31 December 2011 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 68, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Logica plc annual report and accounts 2011 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2011 and of its profit and cash flows for the year then ended
- have been properly prepared in accordance with IFRSs as adopted by the European Union
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 64, in relation to going concern
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Other matter

We have reported separately on the parent Company financial statements of Logica plc for the year ended 31 December 2011 and on the information in the Directors' remuneration report that is described as having been audited.

Stephen Mount
(Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
12 March 2012

Consolidated statement of comprehensive income

For the year ended 31 December 2011

	Note	2011 £'m	2010 £'m
Revenue	5	**3,921.3**	3,696.8
Net operating costs	6	**(3,866.8)**	(3,486.2)
Operating profit		**54.5**	210.6
Analysed as:			
Operating profit before exceptional items		**59.3**	212.3
Exceptional items	7	**(4.8)**	(1.7)
Operating profit	5,8	**54.5**	210.6
Finance costs	10	**(36.1)**	(27.2)
Finance income	11	**13.3**	8.9
Share of post-tax profits from associates	19	**1.0**	0.6
Profit before tax	12	**32.7**	192.9
Taxation	13	**(5.5)**	(40.8)
Net profit for the year		**27.2**	152.1
Other comprehensive income/(expense)			
Actuarial gains/(losses) on retirement benefit schemes	36	**26.7**	(3.1)
Tax on items taken directly to equity	28	**(7.3)**	0.6
Cash flow hedges		**(3.2)**	–
Interest rate swaps fair value difference		**0.1**	(0.1)
Exchange differences on translation of foreign operations		**(54.0)**	11.4
Other comprehensive income/(expense) for the year, net of tax		**(37.7)**	8.8
Total comprehensive income/(expense) for the year		**(10.5)**	160.9
Profit attributable to:			
Owners of the parent		**27.2**	152.1
		27.2	152.1
Total comprehensive income/(expense) attributable to:			
Owners of the parent		**(10.5)**	160.9
		(10.5)	160.9
Earnings per share		**p/share**	p/share
– Basic	15	**1.7**	9.6
– Diluted	15	**1.7**	9.4

Consolidated statement of financial position

31 December 2011

	Note	2011 £'m	2010 £'m
Non-current assets			
Goodwill	16	**1,883.4**	1,906.5
Other intangible assets	17	**174.0**	200.7
Property, plant and equipment	18	**139.7**	138.5
Investments in associates	19	**2.6**	2.7
Financial assets	20	**41.5**	12.5
Retirement benefit assets	36	**52.4**	38.7
Deferred tax assets	28	**84.0**	70.3
		2,377.6	2,369.9
Current assets			
Inventories	21	**0.8**	1.0
Trade and other receivables	22	**1,262.0**	1,252.3
Current tax assets		**24.8**	11.4
Cash and cash equivalents	24	**89.6**	56.4
		1,377.2	1,321.1
Current liabilities			
Other borrowings	25	**(35.1)**	(204.3)
Trade and other payables	23	**(1,061.9)**	(1,062.4)
Current tax liabilities		**(89.3)**	(66.6)
Provisions	27	**(90.0)**	(29.4)
		(1,276.3)	(1,362.7)
Net current assets/(liabilities)		**100.9**	(41.6)
Total assets less current liabilities		**2,478.5**	2,328.3
Non-current liabilities			
Borrowings	25	**(376.1)**	(132.3)
Retirement benefit obligations	36	**(69.7)**	(95.2)
Deferred tax liabilities	28	**(46.0)**	(61.1)
Provisions	27	**(47.7)**	(37.1)
Other non-current liabilities		**(5.8)**	(1.4)
		(545.3)	(327.1)
Net assets		**1,933.2**	2,001.2
Equity			
Share capital	29	**161.2**	160.2
Share premium account	30	**1,110.6**	1,107.4
Other reserves	31	**661.4**	733.5
Total shareholders' equity		**1,933.2**	2,001.1
Non-controlling interests	32	**–**	0.1
Total equity		**1,933.2**	2,001.2

The consolidated financial statements on pages 92 to 142 were approved by the Board of Directors on 12 March 2012 and were signed on its behalf by:

A.J. Green Himanshu Raja

Andy Green
Himanshu Raja
Directors

Financial Statements

Consolidated statement of cash flows

For the year ended 31 December 2011

	Note	2011 £'m	2010 £'m
Cash flows from operating activities			
Net cash inflow from trading operations		**226.4**	270.1
Cash outflow related to restructuring and integration activities		**(18.4)**	(36.8)
Cash outflow related to business acquired/disposed of		**(2.7)**	(4.8)
Cash generated from operations	33	**205.3**	228.5
Finance costs paid		**(21.5)**	(20.1)
Income tax paid		**(36.4)**	(50.9)
Net cash inflow from operating activities		**147.4**	157.5
Cash flows from investing activities			
Finance income received		**6.8**	3.8
Dividends received from associates		**1.0**	0.4
Proceeds on disposal of property, plant and equipment		**0.3**	0.2
Purchases of property, plant and equipment		**(49.7)**	(45.8)
Expenditure on other intangible assets		**(29.2)**	(28.8)
Repurchase of non-controlling interests		**(0.1)**	–
Acquisition of subsidiaries and other businesses, net of cash acquired		**(16.7)**	(8.9)
Proceeds on disposal of subsidiaries and other businesses, net of cash disposed		**–**	3.2
Net cash outflow from investing activities		**(87.6)**	(75.9)
Cash flows from financing activities			
Proceeds from issue of shares allotted under share plans		**3.6**	0.4
Refund of expenses related to shares issued in prior years		**–**	5.6
Proceeds from bank borrowings		**30.0**	230.9
Repayments of bank borrowings		**(179.8)**	(399.8)
Proceeds from private placement debt notes, net of issuance cost		**187.8**	88.9
Repayments of finance leases		**(2.4)**	(3.4)
Repayments of other borrowings		**(1.3)**	(0.7)
Net proceeds from forward contracts		**(0.4)**	(17.7)
Dividends paid to the Company's shareholders		**(70.2)**	(66.8)
Net cash outflow from financing activities		**(32.7)**	(162.6)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		**27.1**	(81.0)
Cash, cash equivalents and bank overdrafts at the beginning of the year	24	**30.6**	110.1
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		**27.1**	(81.0)
Effect of foreign exchange rates	24	**(1.1)**	1.5
Cash, cash equivalents and bank overdrafts at the end of the year	24	**56.6**	30.6

Consolidated statement of changes in equity

For the year ended 31 December 2011

	Note	Share capital £'m	Share premium £'m	Retained earnings £'m	Other reserves £'m	**Total share-holders' equity £'m**	Non-controlling interests £'m	**Total equity £'m**
At 1 January 2011		160.2	1,107.4	(239.1)	972.6	**2,001.1**	0.1	**2,001.2**
Net profit for the year		–	–	27.2	–	**27.2**	–	**27.2**
Other comprehensive income/(expense):								
Actuarial gains on retirement benefit schemes	36	–	–	26.7	–	**26.7**	–	**26.7**
Tax on items taken to equity	28	–	–	(7.3)	–	**(7.3)**	–	**(7.3)**
Cash flow hedges		–	–	–	(3.2)	**(3.2)**	–	**(3.2)**
Interest rate swaps fair value difference		–	–	0.1	–	**0.1**	–	**0.1**
Exchange differences		–	–	–	(54.0)	**(54.0)**	–	**(54.0)**
Total comprehensive income/(expense)		–	–	46.7	(57.2)	**(10.5)**	–	**(10.5)**
Transactions with owners:								
Dividends paid	14	–	–	(70.2)	–	**(70.2)**	–	**(70.2)**
Repurchase of non-controlling interests		–	–	–	–	**–**	(0.1)	**(0.1)**
Share-based payment	35	–	–	9.2	–	**9.2**	–	**9.2**
Shares allotted under share plans		1.0	3.2	(0.6)	–	**3.6**	–	**3.6**
Total transactions with owners		1.0	3.2	(61.6)	–	**(57.4)**	(0.1)	**(57.5)**
At 31 December 2011		**161.2**	**1,110.6**	**(254.0)**	**915.4**	**1,933.2**	**–**	**1,933.2**
At 1 January 2010		160.0	1,107.1	(331.1)	961.2	1,897.2	0.1	1,897.3
Net profit for the year		–	–	152.1	–	152.1	–	152.1
Other comprehensive income/(expense):								
Actuarial losses on retirement benefit schemes	36	–	–	(3.1)	–	(3.1)	–	(3.1)
Tax on items taken to equity	28	–	–	0.6	–	0.6	–	0.6
Interest rate swaps fair value difference		–	–	(0.1)	–	(0.1)	–	(0.1)
Exchange differences		–	–	–	11.4	11.4	–	11.4
Total comprehensive income		–	–	149.5	11.4	160.9	–	160.9
Transactions with owners:								
Dividends paid	14	–	–	(66.8)	–	(66.8)	–	(66.8)
Share-based payment	35	–	–	9.4	–	9.4	–	9.4
Shares allotted under share plans		0.2	0.3	(0.1)	–	0.4	–	0.4
Total transactions with owners		0.2	0.3	(57.5)	–	(57.0)	–	(57.0)
At 31 December 2010		160.2	1,107.4	(239.1)	972.6	2,001.1	0.1	2,001.2
	Note	29	30		31		32	

1. General information

Logica is a business and technology service company, employing over 41,000 people. It provides business consulting, systems integration and outsourcing services to clients around the world, including many of Europe's largest businesses. Logica creates value for clients by successfully integrating people, business and technology. It is committed to long-term collaboration, applying insight to create innovative answers to clients' business needs. Logica is listed on both the London Stock Exchange and Euronext (Amsterdam) (LSE: LOG; Euronext: LOG). More information is available at www.logica.com.

The Company is a public limited company incorporated and domiciled in the UK. The address of its registered office is 250 Brook Drive, Green Park, Reading, RG2 6UA, UK.

2. Accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), IFRIC interpretations and those parts of the Companies Act 2006 (the Act) that are applicable to companies reporting under IFRSs.

The consolidated financial statements have been prepared on a going concern basis and under the historical cost convention, as modified by the revaluation of certain financial instruments, share based payments and pension scheme assets.

Consolidation

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity borrowings issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

2. Accounting policies (continued)

The Group's share of post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising in investments in associates are recognised in the income statement.

Non-current assets held-for-sale and discontinued operations

Non-current assets and disposal groups are classified as held-for-sale in the statement of financial position if their carrying amount will be recovered through a sale transaction rather than ongoing use but only if the sale is highly probable and is expected to complete within one year from the date of classification. Non-current assets and disposal groups held-for-sale are measured at the lower of their carrying amount and fair value less costs to sell.

The results of an operation that represents a separate major line of business and either has been disposed of during the year or is classified as held for sale, are classified as discontinued operations. The post-tax profit or loss of the discontinued operation, plus the post-tax gain or loss recognised on the measurement of the assets and liabilities within the disposal Group at fair value less costs to sell, are presented as a single amount on the face of the statement of comprehensive income.

Intangible assets

All intangible assets, except goodwill, are stated at cost less accumulated amortisation and any accumulated impairment losses. Goodwill is not amortised and is stated at cost less any accumulated impairment losses.

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's interest in the identifiable assets, liabilities and contingent liabilities acquired in a business combination.

Other intangible assets

Expenditure incurred in the development of software products or enhancements, and their related intellectual property rights, is capitalised as an intangible asset only when the future economic benefits expected to arise are deemed probable and the costs can be reliably measured. Development costs not meeting these criteria, and all research costs, are expensed in the statement of comprehensive income as incurred. Once the related software product or enhancement is available for use, capitalised development costs are amortised on a straight-line basis over their useful economic lives which does not exceed four years.

Intangible assets purchased separately, such as software licences that do not form an integral part of related hardware, are capitalised at cost and amortised on a straight-line basis over their useful economic life. Intangible assets acquired through a business combination are initially measured at fair value and amortised on a straight line basis over their useful economic lives.

The useful economic lives of the other intangible assets are as follows:

Brand names	3–5 years
Software products recognised on acquisition	3–7 years
Purchased computer software	3 years

Customer contracts and relationships are amortised on a straight-line basis over their useful economic life which are between five and eight years, except for one contract in the International category which has a useful life of 10 years.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing the asset into use.

Depreciation is calculated on a straight-line basis to write down the assets to their estimated residual value over their useful economic lives:

Equipment and plant	3–10 years
Freehold land and buildings	50 years
Leasehold property and improvements	Life of lease

The residual values and useful economic lives of property, plant and equipment are reviewed annually. Freehold land and properties under construction are not depreciated.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Operating profit' in the consolidated statement of comprehensive income.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as property, plant and equipment at an amount equal to the fair value of the leased assets or, if lower, the present value of minimum lease payments at the inception of the lease, and then depreciated over their useful economic lives or term of the lease, whichever is shorter. Lease payments are apportioned between repayment of capital and interest. The capital element of future lease payments is included in the statement of financial position as a liability. Interest is charged to the statement of comprehensive income so as to achieve a constant rate of interest on the remaining balance of the liability.

Rentals payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease term. Operating lease incentives are recognised as a reduction in the rental expense over the lease term.

Impairment of non-current assets

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The recoverable amount of the cash-generating unit to which the goodwill relates is tested annually for impairment or when events or changes in circumstances indicate that it might be impaired. The carrying values of property, plant and equipment, investments measured using a cost basis and intangible assets other than goodwill are reviewed for impairment only when events indicate the carrying value may be impaired.

2. Accounting policies (continued)

In an impairment test, the recoverable amount of the cash-generating unit or asset is estimated to determine the extent of any impairment loss. The recoverable amount is the higher of fair value less costs to sell and the value in use (VIU) to the Group. An impairment loss is recognised to the extent that the carrying value exceeds the recoverable amount and is not subsequently reversed.

In determining a cash-generating unit's or asset's value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the cash-generating unit or asset that have not already been included in the estimate of future cash flows.

Inventories

Inventories represent computer equipment that, at the end of the reporting period, had not yet been allocated to a specific customer contract and materials, including work-in-progress, used in document printing and finishing.

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in-first-out (FIFO) method. Net realisable value represents the estimated selling price less costs to be incurred in marketing, distribution and sale.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will probably not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

The amount of the impairment is the difference between the asset's carrying value and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the trade receivable is reduced through the use of a provision account and the amount of the loss is recognised in the statement of comprehensive income within net operating costs. When a trade receivable is considered uncollectible, it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited against net operating costs in the statement of comprehensive income.

A trade or other receivable is derecognised from the statement of financial position when the Group enters into a financing transaction which transfers to a third party all significant rights or other access to benefits relating to that asset and all significant exposures to the risks inherent in that asset.

Amounts recoverable on contracts represent revenue which has not yet been invoiced to customers on fixed price contracts. Such amounts are separately disclosed within trade and other receivables. The valuation of amounts recoverable on contracts is adjusted to include profit to date or foreseeable losses in accordance with the Group's accounting policy for profit recognition.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Financial instruments

The following policies for financial instruments have been applied in the preparation of the consolidated financial statements:

Cash and cash equivalents

For the purpose of preparation of the statement of cash flows, cash and cash equivalents include cash at bank and in hand, and short-term deposits with an original maturity period of three months or less. Bank overdrafts that are an integral part of a subsidiary's cash management are included in cash and cash equivalents where they have a legal right of offset against positive cash balances, otherwise bank overdrafts are classified as borrowings in the statement of financial position.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated either at amortised cost or, if designated as such, at fair value through profit or loss.

For borrowings stated at amortised cost, any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest rate method.

Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a contract is entered into and are subsequently re-measured at fair value. The fair values of derivatives are measured using observable market prices or, where market prices are not available, by using discounted expected future cash flows at prevailing interest and exchange rates. The gain or loss on re-measurement is taken to the statement of comprehensive income except where the derivative is part of a designated cash flow hedge or a designated hedge of a net investment in a foreign operation.

The effective portion of changes in the fair value of derivatives that are designated and qualify as a cash flow hedge of a firm commitment or highly probable forecasted transaction are recognised directly in equity. The gain or loss relating to the ineffective portion of a cash flow hedge is recognised immediately within operating profit in the statement of comprehensive income.

If the hedged item results in the recognition of an asset or liability, then the associated gains or losses on the derivative that had previously been recognised in equity are included in the measurement of the asset or liability at the time the asset or liability is recognised. For hedged items that do not result in the recognition of an asset or a liability, amounts deferred in equity are transferred to the statement of comprehensive income in the same period as the underlying transaction occurs.

Where the Group hedges net investments in foreign entities through currency borrowings or derivative financial instruments, the gains or losses on the translation of the borrowings or change in fair value of the derivative, to the extent the hedge is effective, are recognised in equity. Gains and losses accumulated in equity are included in the statement of comprehensive income when the foreign operation is disposed of.

Changes in the fair value of derivative financial instruments that are not designated as hedging instruments or do not qualify for hedge accounting are recognised in the statement of comprehensive income as they arise. Changes in the fair value of derivatives or other hedging instruments transacted as hedges of financial items are recognised in finance costs/income in the statement of comprehensive income as they arise. Any resulting ineffectiveness is recognised directly in the statement of comprehensive income.

2. Accounting policies
(continued)

Financial assets
The Group classifies its financial assets into the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading or designated as such on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in the statement of comprehensive income.

Loans and receivables
Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment and are classified as trade and other receivables in the statement of financial position.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. Such financial assets are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period.

Unlisted and listed shares held by the Group that are traded in an active market are classified as being available-for-sale financial assets and are stated at fair values. The fair values of quoted shares are based on current bid prices. If the market for a financial asset is not active (unlisted shares), the Group establishes fair value by using alternative valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models. Gains and losses arising from changes in fair value are recognised directly in equity with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in the statement of comprehensive income.

Impairment of financial assets
The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or Group of financial assets is impaired. For unlisted shares classified as available-for-sale, a significant prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired.

If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair values, less any impairment loss on those financial assets previously recognised in profit or loss – is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income. The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of a provision account.

Taxation
Current tax is recognised based on the amounts expected to be paid or recovered under the tax rates and laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided in full on temporary differences that arise between the carrying amounts of assets and liabilities for financial reporting purposes and their corresponding tax bases. Deferred tax is recorded on all temporary differences except in respect of investments in subsidiaries and joint ventures where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that it will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the asset can be offset.

Deferred tax is measured on an undiscounted basis using the tax rates and laws that have been enacted or substantively enacted at the end of the reporting period.

Current and deferred taxes are recognised in the statement of comprehensive income, except when the tax relates to items charged or credited directly to equity, in which case the tax is also dealt with directly in equity.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is reflected in the consolidated statement of comprehensive income at a current pre-tax rate that reflects the risks specific to the liability. Where the provision is discounted, any increase in the provision due to the passage of time is recognised as a finance cost.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

Foreign currencies
The presentation currency of the Group is pounds sterling. The Group also presents primary statements in euro, see pages 151 to 153.

Items included in the separate financial statements of Group entities are measured in the functional currency of each entity. Transactions denominated in foreign currencies are translated into the functional currency of the entity at the rates prevailing at the dates of the individual transactions. Foreign currency monetary assets and liabilities are translated at the rates prevailing at the end of the reporting period. Exchange gains and losses arising are charged or credited to net operating costs or finance costs/income in the statement of comprehensive income, as appropriate, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

2. Accounting policies (continued)

The statement of comprehensive income and statement of financial position of foreign entities are translated into pounds sterling on consolidation at the average rates for the period and the rates prevailing at the end of the reporting period respectively. Exchange gains and losses arising on the translation of the Group's net investment in foreign entities, and of financial instruments designated as hedges of such investments, are recognised as a separate component of shareholders' equity. On disposal of a foreign entity, the cumulative translation differences are recycled to the statement of comprehensive income and recognised as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the rates prevailing at the end of the reporting period.

The most important foreign currencies for the Group are the euro and the Swedish krona. The relevant exchange rates to pounds sterling are shown in the table below.

Government grants
Grants related to assets are recognised initially as deferred income and subsequently credited to the statement of comprehensive income on the same basis that the related assets are depreciated. Grants related to income are credited to the statement of comprehensive income over the periods to match them with the related costs which they are intended to compensate.

Revenue and profit recognition
Revenue represents the fair value of consideration received or receivable from customers for goods and services provided by the Group, net of discounts, VAT and other sales related taxes. Where the time value of money is material, revenue is recognised as the present value of the cash inflows expected to be received from the customer in settlement.

The Group generates revenue from the supply of outsourcing, consulting and professional services, software and hardware products. The Group will supply consulting and professional services to customers in connection with the design, building, implementation and testing of IT solutions. The Group may also source software and hardware products as part of these contracts, some of which may be developed in house.

In the case of outsourcing contracts the Group may also provide professional services in connection with the ongoing support and operation of systems and processes.

The main components within the Group's contracts are product sales and contracts to supply professional services. The revenue recognition approach to each is set out below:

Product sales
Revenue from the sale of software products or hardware with no significant service obligation is recognised 100% on delivery. Revenue from the sale of software products or hardware requiring significant modification, integration or customisation is recognised using the percentage of completion method.

Outsourcing, Consulting and Professional Services
The revenue and profit of contracts for the supply of outsourcing, consulting and professional services ("services") at predetermined rates is recognised as and when the work is performed, irrespective of the duration of the contract.

The revenue and profit on fixed price contracts for the supply of services at predetermined rates is recognised on a percentage of completion basis when the outcome of a contract can be estimated reliably. A contract's outcome is deemed to be capable of reliable estimation at either the earlier of six months from contract commencement or the date at which the contract is 50% complete. If a contract outcome cannot be estimated reliably, revenues are recognised equal to costs incurred, to the extent that costs are expected to be recovered.

The stage of contract completion is determined by reference to the costs of services incurred to date as a proportion of the total estimated costs of services, except in rare circumstances when measuring the stage of contract completion using total contract costs is more representative of the work performed, in which case total contract costs are used (Note 4).

Contracts for the supply of both product sales and services
The majority of the Group's contracts are for the supply of both product and services and are accounted for as construction contracts. In accordance with IAS 11 'Construction Contracts', when a contract covers a number of different components the revenue and profits are recognised on each component separately where: there is a separate proposal for each component of a contract, each component is negotiated separately and the costs and revenues of each component can be identified.

When it is required to separate the product sales and professional services components in a contract and account for the revenue and profits on each component separately then the revenue recognition policies for the individual components outlined above will be followed.

Where a contract contains multiple components that do not meet the conditions for separation set out above, as in the majority of cases, then the contract will be treated as having one revenue component and will be treated as a fixed priced services contract with revenues for the contract recognised in line with the supply of services as outlined above. Generally where such contracts arise professional service costs will form the bulk of costs on the contract. If this is not the case then total costs are used as a basis for determining the percentage of completion.

Loss making contracts
Provision is made for all foreseeable future losses in the period in which the loss is identified.

Segment reporting
The Group identified the Executive Committee as the Chief Operating Decision Maker as it is responsible for the allocation of resources to operating segments and assessing their performance. Operating segments are reported in a manner which is consistent with the internal management reporting to the Executive Committee (Note 5).

	2011		2010	
	Average	**Closing**	Average	Closing
£1 = €	**1.15**	**1.20**	1.17	1.17
£1 = SEK	**10.41**	**10.65**	11.12	10.53

2. Accounting policies (continued)

Exceptional items
Exceptional items fall within operating and financial activities of the Group but are identified as exceptional items by virtue of their size, nature or incidence. These items are disclosed in aggregate on the face of the statement of comprehensive income to aid an understanding of the Group's financial performance.

Transactions which may give rise to exceptional items are principally gains or losses on disposals of investments or subsidiaries, acquisition costs, or costs of integrating acquired businesses.

Employee benefits

Retirement benefits
The Group operates retirement benefit plans of both a defined contribution and defined benefit nature. Retirement benefit plans that are funded by the payment of insurance premiums are treated as defined contribution plans unless the Group has an obligation either to pay the benefits directly when they fall due or to pay further amounts if assets accumulated with the insurer do not cover all future employee benefits. In such circumstances, the plan is treated as a defined benefit plan.

The cost of defined contribution plans is charged to the statement of comprehensive income on the basis of contributions payable by the Group during the year.

For defined benefit plans, the defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The retirement benefit liability in the statement of financial position represents the present value of the defined benefit obligation as reduced by the fair value of plan assets and unrecognised past service cost. A retirement benefit asset is recognised to the extent that the Group can benefit from refunds or a reduction in future contributions.

Insurance policies are treated as plan assets of a defined benefit plan if the proceeds of the policy:

- can only be used to fund employee benefits;
- are not available to the Group's creditors; and
- either cannot be paid to the Group unless the proceeds represent surplus assets not needed to meet all the benefit obligations or are a reimbursement for benefits already paid by the Group.

Insurance policies that do not meet the above criteria are treated as non-current investments and are held at fair value as a non-current financial asset in the statement of financial position.

The current service cost is recognised in the statement of comprehensive income as an employee benefit expense. The interest cost resulting from the increase in the present value of the defined benefit obligation over time and the expected return on plan assets, is recognised as net interest expense or income. The expected return on plan assets is, for UK defined benefit pension schemes, shown net of an expected reduction for payments to the Pension Protection Fund (the 'PPF levy'). The difference between the actual and expected PPF levy is treated as an actuarial gain or loss.

A past service cost is recognised immediately to the extent that benefits have already vested, or is otherwise amortised on a straight-line basis over the average period until the benefits vest.

Actuarial gains and losses arising from experience adjustments or changes in actuarial assumptions are charged or credited to the other comprehensive income in the period in which they arise.

Share-based payment
The cost of share-based employee compensation arrangements, whereby employees receive remuneration in the form of shares or share options, is recognised as an employee benefit expense in the statement of comprehensive income.

The total expense to be apportioned over the vesting period of the benefit is determined by reference to the fair value at the grant date of the shares or share options awarded and the number that are expected to vest. In the year of grant it is assumed that all shares will vest. The assumptions underlying the number of awards expected to vest are subsequently adjusted to reflect conditions prevailing at the end of the reporting period. At the vesting date of an award, the cumulative expense is adjusted to take account of the awards that actually vest.

Short-term compensated absences
A liability for short-term compensated absences, such as holiday, is recognised for the amount the Group may be required to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.

Death-in-service benefits
Insured death-in-service benefits are accounted for as defined contribution arrangements. Death-in-service benefits for which the Group does not have insurance cover are accounted for as defined benefit arrangements.

Employee share ownership trusts
Employee share ownership plan (ESOP) trusts, which purchase and hold ordinary shares of the Company in connection with certain employee share plans, are consolidated in the Group financial statements. Any consideration paid or received by ESOP trusts for the purchase or sale of the Company's own shares is shown as a movement in shareholders' equity.

Dividends
Dividends to the Company's shareholders are recognised as a liability in the period in which they are declared. The interim dividend is recognised when it has been approved by the Board and the final dividend is recognised when it has been approved by the shareholders at the Annual General Meeting.

3. Adoption of new and revised International Financial Reporting Standards

The accounting policies adopted in these consolidated financial statements are consistent with those of the annual financial statements for the year ended 31 December 2010, with the exception of the change to the definition of exceptional items, which now excludes restructuring programmes, and the following standards, amendments to and interpretations of published standards adopted during the year:

- New and amended standards adopted by the Group:
  - There have been only minor improvements to existing International Financial Reporting Standards and interpretations that are effective for the first time for the financial year beginning on or after 1 January 2011 which have been adopted by the Group with no impact on its consolidated results or financial position.

- New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted. Unless otherwise stated these have not been endorsed by the European Union (EU):

3. Adoption of new and revised International Financial Reporting Standards (continued)

- IAS 19, 'Employee benefits', effective 1 July 2012, was amended in June 2011. The impact on the Group will be: to eliminate the corridor approach and recognise all actuarial gains and losses in other comprehensive income ('OCI') as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability/(asset).
- Amendment to IFRS 7 'Financial instruments: Disclosures', effective on or after 1 July 2011, improving transparency in the reporting of transfer transactions and improve user's understanding of the risk exposures relating to transfer of financial assets and its effect on entity's financial position, particularly those involving securitisation of financial assets. This amendment has been endorsed by the EU.
- IFRS 9, 'Financial instruments', effective on or after 1 January 2015, addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.
- IFRS 10, 'Consolidated financial statements', effective on or after 1 January 2013, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent Company. The standard provides additional guidance in determining the control.
- IFRS 12, 'Disclosures of interests in other entities', effective on or after 1 January 2013, includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.
- IFRS 13, 'Fair value measurement', effective on or after 1 January 2013, aims to improve consistency and reduce complexity by providing a precise definition of fair value, guidance on its application and a single source of fair value measurement and disclosure requirements for use across IFRSs.
- IFRS 11 'Joint Arrangement', effective on or after 1 January 2013, provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. Proportional consolidation of joint ventures is not permitted.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

4. Key areas of estimation uncertainty

In preparing the consolidated financial statements, management has to make judgements on how to apply the Group's accounting policies and make estimates about the future. The critical judgements that have been made in arriving at the amounts recognised in the consolidated financial statements and the key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities in the next financial year, are discussed below.

Contract accounting

The revenue and profit of fixed price contracts is recognised on a percentage-of-completion basis when the outcome of a contract can be estimated reliably. Management exercises judgement in determining whether a contract's outcome can be estimated reliably. Management also makes estimates of the total cost of professional services, or total contract costs as appropriate, which are then used in determining the value of amounts recoverable on contracts. Estimates are continually revised based on changes in the facts relating to each contract. The carrying value of amounts recoverable on contracts is disclosed in Note 22.

Impairment of goodwill

The determination of whether or not goodwill has been impaired requires an estimate to be made of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation includes estimates about the future financial performance of the cash-generating units, including management's estimates of long-term operating margins and long-term growth rates. The carrying amount of goodwill and the key assumptions used in the calculation and sensitivity of value in use of cash-generating units to which goodwill is attributed are disclosed in Note 16.

4. Key areas of estimation uncertainty (continued)

Defined benefit plans

The calculation of the defined benefit obligation of a defined benefit plan requires estimation of future events, for example salary and pension increases, inflation and mortality rates. In the event that future experience does not bear out the estimates made in previous years, an adjustment will be made to the plan's defined benefit obligation in future periods which could have a material effect on the Group. The carrying amounts of assets and liabilities relating to defined benefit plans, together with the key assumptions used in the calculation of the defined benefit obligations relating to those plans and sensitivity to those key assumptions are disclosed in Note 36.

Income taxes

In recognising income tax assets and liabilities, management makes estimates of the likely outcome of decisions by tax authorities on transactions and events whose treatment for tax purposes is uncertain. Where the final outcome of such matters is different, or expected to be different, from previous assessments made by management, a change to the carrying value of income tax assets and liabilities will be recorded in the period in which such a determination is made. The carrying values of income tax assets and liabilities are disclosed separately in the consolidated statement of financial position.

If the actual final outcome on the income tax judgement areas were to differ by 10% from management's estimates, the Group would need to:

- increase the income and deferred tax liability by £19.1 million if unfavourable; or
- decrease the income and deferred tax liability by £18.8 million if favourable.

Ongoing claims and legal proceedings

Management regularly assesses the status of any known claims and legal proceedings against the Group. This assessment can involve both judgement with regards to the credibility of a claim and also the quantum of any liability. If it is assessed that a claim will probably be successful, management will recognise a provision for the fair value of the liability (Note 27). Such calculations will be based on management's assessment of the expected settlement. Where a claim is not assessed as probable then a contingent liability will be disclosed unless the likelihood of the claim being successful is considered remote (Note 39).

5. Segment information

In accordance with IFRS 8 'Operating Segments', Logica has derived the information for its operating segments using the information used by the Chief Operating Decision Maker. The Group has identified the Executive Committee as the Chief Operating Decision Maker as it is responsible for the allocation of resources to operating segments and assessing their performance. The profit measure used by the Executive Committee is the adjusted operating profit, as described in Note 8. Operating segments are reported in a manner which is consistent with the operating segments produced for internal management reporting.

5. Segment information
(continued)

At 31 December 2011, Logica is organised into six operating segments based on the location of assets. Segment revenue and operating profit, after the restructuring and contract charges announced in December 2011, are disclosed below:

	Revenue		Profit/(loss)	
	2011 £'m	2010 £'m	**2011 £'m**	2010 £'m
France	**874.7**	810.0	**61.4**	49.2
Northern and Central Europe	**860.4**	787.8	**46.5**	42.6
United Kingdom	**725.4**	709.4	**15.6**	60.2
Sweden	**622.3**	565.9	**(30.8)**	16.8
Benelux	**463.8**	488.0	**(72.4)**	12.5
International	**374.7**	335.7	**34.2**	29.3
	3,921.3	3,696.8	**54.5**	210.6
Finance costs			**(36.1)**	(27.2)
Finance income			**13.3**	8.9
Share of post-tax profits from associates			**1.0**	0.6
Taxation			**(5.5)**	(40.8)
Profit after tax			**27.2**	152.1

The share of post-tax profits from associates in the years ended 31 December 2011 and 2010 was attributable to the Benelux and the Northern and Central Europe segments.

Adjusted operating profit/(loss) analysis per operating segment was as follows:

	2011			
	Operating profit/(loss) £'m	**Exceptional items £'m**	**Amortisation of intangibles* £m**	**Adjusted operating profit/(loss) £'m**
France	**61.4**	**–**	**13.0**	**74.4**
Northern and Central Europe	**46.5**	**–**	**18.3**	**64.8**
United Kingdom	**15.6**	**–**	**–**	**15.6**
Sweden	**(30.8)**	**–**	**22.2**	**(8.6)**
Benelux	**(72.4)**	**–**	**–**	**(72.4)**
International	**34.2**	**4.8**	**1.0**	**40.0**
	54.5	**4.8**	**54.5**	**113.8**

	2010			
	Operating profit £'m	Exceptional items £'m	Amortisation of intangibles* £'m	Adjusted operating profit £'m
France	49.2	–	19.0	68.2
Northern and Central Europe	42.6	–	18.5	61.1
United Kingdom	60.2	–	–	60.2
Sweden	16.8	–	21.1	37.9
Benelux	12.5	1.7	–	14.2
International	29.3	–	1.0	30.3
	210.6	1.7	59.6	271.9

* Amortisation of intangible assets initially recognised on acquisition.

5. Segment information
(continued)

Other profit and loss disclosures

	2011			
	Depreciation £'m	Amortisation of other intangibles £'m	Contract charges £'m	Accelerated restructuring charges* £'m
France	**6.4**	**1.9**	**2.7**	**–**
Northern and Central Europe	**10.9**	**4.0**	**–**	**2.1**
United Kingdom	**6.4**	**4.4**	**28.0**	**2.9**
Sweden	**5.8**	**2.5**	**–**	**31.3**
Benelux	**2.6**	**0.8**	**8.7**	**57.1**
International	**14.5**	**4.7**	**–**	**–**
	46.6	**18.3**	**39.4**	**93.4**

* Accelerated restructuring charges included accelerated restructuring and integration costs of £80.4 million and property costs of £13.0 million (Note 6).

	2010	
	Depreciation £'m	Amortisation of other intangibles £'m
France	5.8	1.5
Northern and Central Europe	9.8	4.9
United Kingdom	5.5	3.0
Sweden	5.3	1.0
Benelux	1.9	0.5
International	14.4	4.5
	42.7	15.3

Analysis of revenue by product and services

	2011 £'m	2010 £'m
Sales of goods	**196.2**	164.9
Revenue from services	**3,725.1**	3,531.9
	3,921.3	3,696.8
Outsourcing	**1,730.6**	1,600.7
Consulting and Professional Services	**2,190.7**	2,096.1
	3,921.3	3,696.8

Revenue above included £2,315.3 million which related to contracts accounted for under the percentage-of-completion method (2010: £2,151.1 million).

Analysis of revenue by customer
No single customer contributes more than 10% of the Group's revenue.

Analysis of total assets

	2011 £'m	2010 £'m
France	**941.3**	941.6
Northern and Central Europe	**749.5**	776.3
United Kingdom	**531.8**	521.9
Sweden	**784.2**	798.9
Benelux	**182.1**	205.8
International	**336.4**	299.7
	3,525.3	3,544.2
Unallocated assets		
Cash and cash equivalents	**89.6**	56.4
Tax assets	**108.8**	81.7
Derivative financial assets	**31.1**	8.7
Total assets	**3,754.8**	3,691.0

5. Segment information
(continued)

Analysis of non-current assets

	2011			
	Goodwill £'m	**Other intangible assets £'m**	**Property, plant and equipment £'m**	**Total £'m**
France	**563.1**	**14.6**	**18.6**	**596.3**
Northern and Central Europe	**474.8**	**35.8**	**28.0**	**538.6**
United Kingdom	**167.6**	**38.5**	**33.7**	**239.8**
Sweden	**506.2**	**63.8**	**14.8**	**584.8**
Benelux	**26.6**	**1.8**	**6.1**	**34.5**
International	**145.1**	**19.5**	**38.5**	**203.1**
	1,883.4	**174.0**	**139.7**	**2,197.1**

	2010			
	Goodwill £'m	Other intangible assets £'m	Property, plant and equipment £'m	Total £'m
France	577.5	27.9	18.1	623.5
Northern and Central Europe	486.8	54.4	23.9	565.1
United Kingdom	167.6	29.0	31.9	228.5
Sweden	511.9	77.6	16.8	606.3
Benelux	27.3	0.5	5.9	33.7
International	135.4	11.3	41.9	188.6
	1,906.5	200.7	138.5	2,245.7

6. Net operating costs

	2011 £'m	2010 £'m
Amortisation (Note 17)	**72.8**	74.9
Depreciation (Note 18)	**46.6**	42.7
Employee benefits expense (Note 9)	**2,235.1**	2,083.3
Legal and professional fees	**61.1**	53.3
Material and other external charges	**1,033.6**	953.4
Property costs	**145.1**	128.1
External sales and marketing costs	**15.7**	16.8
Disposal of businesses	**4.8**	1.7
Restructuring and integration costs		
– Accelerated (Note 27)	**80.4**	–
– 2011 business as usual restructuring	**24.4**	–
Other operating expenses	**147.2**	132.0
	3,866.8	3,486.2

7. Exceptional items

The exceptional items recognised within operating profit were as follows:

	2011 £'m	2010 £'m
Acquisition and integration costs	**(4.4)**	–
Disposal of businesses	**(0.4)**	(1.7)
	(4.8)	(1.7)

A charge of £4.4 million related to the acquisition and integration of the Grupo Gesfor business in Spain and Latin America in May 2011 (Note 34).

In 2010, the Group completed the disposal of its HR Payroll business in the Netherlands. The disposal generated a net loss of £1.7 million.

8. Adjusted operating profit

Adjusted operating profit excludes the results of discontinued operations, exceptional items and amortisation of intangible assets initially recognised at fair value in a business combination, whenever such items occur. Adjusted operating profit is not defined under IFRS and has been shown as the Directors consider this to be helpful for a better understanding of the performance of the Group's underlying business. It may not be comparable with similarly titled profit measurements reported by other companies and is not intended to be a substitute for, or superior to, IFRS measures of profit.

	2011 £'m	2010 £'m
Operating profit	**54.5**	210.6
Exceptional items (Note 7)	**4.8**	1.7
Amortisation of intangible assets initially recognised on acquisition	**54.5**	59.6
Adjusted operating profit	**113.8**	271.9

9. Employee benefit expense

The number of employees (including Executive Directors) was:

	Year end		Average	
	2011 Number	2010 Number	2011 Number	2010 Number
France	**9,353**	9,215	**9,235**	8,982
Northern and Central Europe	**7,068**	6,997	**7,084**	6,961
United Kingdom	**5,472**	5,448	**5,542**	5,407
Sweden	**5,158**	5,256	**5,240**	5,222
Benelux	**4,770**	4,901	**4,844**	5,200
International	**9,963**	7,467	**8,953**	7,191
	41,784	39,284	**40,898**	38,963

The employee expense for the year amounted to:

	2011 £'m	2010 £'m
Salaries and short-term employee benefits (including bonus)	**1,752.5**	1,617.3
Social security costs	**336.5**	310.7
Pension costs (Note 36)	**139.1**	143.2
Share-based payments (Note 35)	**7.0**	12.1
	2,235.1	2,083.3

10. Finance costs

	2011 £'m	2010 £'m
Finance leases	**0.4**	0.5
Bank loans and overdrafts	**16.7**	17.3
Retirement benefit schemes (net) (Note 36)	**3.1**	2.5
Private placement debt	**8.0**	2.2
Fair value adjustment on financial assets/liabilities	**1.9**	–
Other	**6.0**	4.7
	36.1	27.2

11. Finance income

	2011 £'m	2010 £'m
Bank interest	**0.7**	0.4
Unwinding of discount on trade receivables	**6.5**	5.1
Financing fair value remeasurements	**3.9**	2.3
Other	**2.2**	1.1
	13.3	8.9

12. Profit before tax

The following items have been included in arriving at profit before tax:

	2011 £'m	2010 £'m
Loss on disposal of non-current assets	**0.6**	2.5
Research and development expenditure	**13.6**	9.2
Trade receivables impairment	**3.6**	1.7
Exchange losses/(gains)	**0.8**	(2.2)

The Group received a Regional Selective Assistance grant from the Welsh Assembly in February 2004 to aid with the development of the Group's outsourcing facilities at Bridgend, Wales. The Group received cash of £2.0 million during the year (2010: £1.0 million) and £1.0 million (2010: £2.0 million) was credited in arriving at profit before tax.

The Group also participates in the BSIK programme (Act Subsidy Investment Knowledge Infrastructure) sponsored by a consortium of five Dutch ministries that give support to the public and industry for related research projects. Under this programme the Group received £0.9 million during the year (2010: £2.7 million), and £1.1 million (2010: £1.6 million) was credited in arriving at profit before tax.

The Group receives credits based on research and development expenditure in France from the Ministry of Higher Education and Research (Ministère de l'Enseignement supérieur et de la Recherche). In 2011 £6.6 million (2010: £3.6 million) was credited in arriving at profit before tax.

Auditors' remuneration

The following table shows an analysis of fees payable to PricewaterhouseCoopers LLP, the Group's auditors:

	2011 £'m	2010 £'m
Audit services		
Fees payable to the Company's auditor for the audit of –		
– the parent Company and consolidated financial statements	**1.0**	0.7
– financial statements of subsidiaries, pursuant to legislation	**1.6**	1.6
Non-audit services		
Fees payable to the Company's auditor and its associates for other services		
– other services pursuant to such legislation	**0.2**	0.2
– tax services	**0.4**	0.5
– all other services	**0.3**	–
Total auditors' remuneration	**3.5**	3.0

13. Taxation

	2011 £'m	2010 £'m
Current tax:		
UK corporation tax	**10.3**	15.7
Overseas tax	**35.7**	34.5
	46.0	50.2
Deferred tax:		
UK corporation tax	**5.4**	(1.2)
Overseas tax	**(45.9)**	(8.2)
	(40.5)	(9.4)
	5.5	40.8

The effective tax rate on operations for the year, before the share of post-tax profits from associates, exceptional items and amortisation of intangible assets initially recognised on acquisition, was 23% (2010: 23%), of which a charge of £15.7 million (2010: £14.5 million) related to the UK.

The effective tax rate on exceptional items was 0% (2010: 23.5%) and the effective tax rate on amortisation of intangible assets initially recognised on acquisition was 28.8% (2010: 28.9%).

13. Taxation
(continued)

The tax charge from operations is lower than the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below.

	2011 £'m	2010 £'m
Profit before tax	**32.7**	192.9
Less: share of post-tax profits from associates	**(1.0)**	(0.6)
Profit before tax excluding share of post-tax profits from associates	**31.7**	192.3
Tax at the UK corporation tax rate of 26.5% (2010: 28.0%)	**8.4**	53.8
Adjustments in respect of previous years	**8.7**	(12.3)
Adjustment in respect of foreign tax rates	**16.9**	11.8
Tax loss utilisation	**(21.5)**	(7.1)
Income not subject to tax	**(9.4)**	(16.5)
Deferred tax assets not recognised	**2.4**	11.1
Tax charge	**5.5**	40.8

The current tax related to exceptional items for the year ended 31 December 2011 was £nil (2010: tax credit £0.4 million).

In addition to the changes in rates of Corporation tax disclosed above, a number of further changes to the UK Corporation tax system were announced in the March 2011 UK Budget Statement. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014. These further changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

14. Dividends

The Directors are proposing a final dividend in respect of the year ended 31 December 2011 of 2.3 pence per share, which would reduce shareholders' funds by approximately £36.8 million. The proposed dividend is subject to approval at the AGM on 11 May 2012 and has not been recognised as a liability in these financial statements. The final dividend will be paid on 16 May 2012 to shareholders listed on the share register on 13 April 2012.

The amounts recognised as distributions to equity holders were as follows:

	2011 p/share	2010 p/share	2011 £'m	2010 £'m
Interim dividend	**2.10**	1.90	**33.6**	30.3
Final dividend	**2.30**	2.30	**36.6**	36.5
	4.40	4.20	**70.2**	66.8

Dividends payable to employee share ownership trusts are excluded from the amounts recognised as distributions in the table above.

15. Earnings per share

Earnings per share	**2011** Earnings £'m	**2011** Weighted average number of shares million	**2011** Earnings p/share
Profit for the year	**27.2**	**1,597.2**	**1.7**
Basic EPS	**27.2**	**1,597.2**	**1.7**
Effect of share options and share awards	**–**	**41.6**	**–**
Diluted EPS	**27.2**	**1,638.8**	**1.7**
Adjusted earnings per share			
Earnings attributable to ordinary shareholders	**27.2**	**1,597.2**	**1.7**
Add back:			
Exceptional items, net of tax	**4.8**	**–**	**0.2**
Fair value adjustment on financial assets/liabilities, net of tax	**1.5**	**–**	**0.2**
Amortisation of intangible assets initially recognised on acquisition, net of tax	**38.9**	**–**	**2.4**
Basic adjusted EPS	**72.4**	**1,597.2**	**4.5**
Effect of share options and share awards	**–**	**41.6**	**–**
Effect of fair value adjustment on financial assets/liabilities, net of tax	**(1.5)**	**–**	**(0.2)**
Diluted adjusted EPS	**70.9**	**1,638.8**	**4.3**

Earnings per share	2010 Earnings £'m	2010 Weighted average number of shares million	2010 Earnings p/share
Profit for the year	152.1	1,589.4	9.6
Basic EPS	152.1	1,589.4	9.6
Effect of share options and share awards	–	35.7	(0.2)
Diluted EPS	152.1	1,625.1	9.4
Adjusted earnings per share			
Earnings attributable to ordinary shareholders	152.1	1,589.4	9.6
Add back:			
Exceptional items, net of tax	1.3	–	–
Amortisation of intangible assets initially recognised on acquisition, net of tax	42.4	–	2.7
Basic adjusted EPS	195.8	1,589.4	12.3
Effect of share options and share awards	–	35.7	(0.2)
Diluted adjusted EPS	195.8	1,625.1	12.1

Adjusted earnings per share, both basic and diluted, have been shown as the Directors consider this to be helpful for a better understanding of the performance of the Group's underlying business. The earnings measure used in adjusted earnings per share excludes, whenever such items occur: the results of discontinued operations; exceptional items; mark-to-market gains or losses on financial assets/liabilities designated as fair value hedges through profit or loss; and amortisation of intangible assets initially recognised at fair value in a business combination. All items adjusted are net of tax where applicable.

The weighted average number of shares excludes the shares held by employee share ownership plan (ESOP) trusts, which are treated as cancelled.

16. Goodwill

Cost and net book amount	2011 £'m	2010 £'m
At 1 January	**1,906.5**	1,883.6
Additions during the year	**13.6**	6.8
Exchange differences	**(36.7)**	16.1
At 31 December	**1,883.4**	1,906.5

The following table shows the allocation of the carrying value of goodwill at the end of the reporting period by operating segment:

	2011 £'m	2010 £'m
France	**563.1**	577.5
Northern and Central Europe	**474.8**	486.8
United Kingdom	**167.6**	167.6
Sweden	**506.2**	511.9
Benelux	**26.6**	27.3
International	**145.1**	135.4
	1,883.4	1,906.5

Goodwill impairment testing

Goodwill acquired through business combinations has been allocated for impairment testing purposes to individual cash-generating units (CGUs). The Group conducts annual impairment tests on the carrying value of goodwill, based on the recoverable amount of the CGU to which goodwill has been allocated. CGUs represent the operations of a country or, where appropriate, divisions within a country. The size of a CGU, therefore, varies but is never larger than a reportable segment.

An impairment test is a comparison of the carrying value of the assets of a business or CGU to their recoverable amount. Where the recoverable amount is less than the carrying value, an impairment results. Although required to perform annual impairment tests, these do not have to take place at 31 December but the test should be consistently carried out at the same time annually.

The Group carries out its annual impairment testing as at 30 September each year. Impairment testing is only reperformed if an impairment triggering event occurs in the intervening period. The restructuring charges announced on 14 December 2011 were considered an impairment triggering event. As a result the impairment testing was reperformed as at 31 December 2011.

The recoverable amounts of CGUs are determined from value in use (VIU) calculations. The determination of whether or not goodwill has been impaired requires an estimate to be made of the VIU of the CGU to which goodwill has been allocated.

The VIU calculation includes estimates about the future financial performance of the CGUs. In all cases the approved budget for the following financial year forms the basis for the cash flow projections for a CGU. The cash flow projections in the four financial years following the budget year reflect management's expectations of the medium-term operating performance of the CGU and growth prospects in the CGU's market.

Key assumptions

The key assumptions in the VIU calculations are the discount rate applied, the long-term operating margin and the long-term growth rate of net operating cash flows. In determining the key assumptions, management have taken into consideration the current economic climate, the resulting impact on expected growth and discount rates, and the pressure this places on impairment calculations.

Discount rate applied

The discount rate applied to a CGU represents a pre-tax rate that reflects market assessment of the time value of money at the end of the reporting period and the risks specific to the CGU. The discount rate is based on the risk free rate for 20-year bonds issued by the government in the respective market. The current economic uncertainties in Europe have led to a decrease in risk free rates. The Directors have increased the rates applied in the impairment review where they consider the decrease to be temporary and not reflective of the country specific risk. In determining the discount rate, management have applied an adjustment for risk of such companies relative to all other sectors on average, determined using an average of the betas of comparable listed companies.
The discount rates applied to the CGUs were in the range of 11.4% (2010: 7.8%) to 22.2% (2010: 22.2%).

16. Goodwill
(continued)

The discount rates applied to the most significant CGUs were as follows:

	2011 %	2010 %
France	**14.1**	11.7
Northern and Central Europe *	**12.0**	8.4
United Kingdom	**12.8**	11.0
Sweden	**11.4**	8.2

*Weighted average discount rate applied to CGUs in Northern and Central Europe.

Long-term operating margin

The long-term operating margin assumed for a CGU's operations is based on future market expectations and past performance. The long-term operating margin refers to the margin on adjusted operating profit as described in Note 8. For some CGUs, those for which management has strong reason to believe that past operating margins are not indicative of future operating margins, expected future improvements from sustainable operating cost savings are also included in management's assessment of the long-term operating margin. In such cases, these expected improvements exclude activities that would be defined as restructuring, other than those identified as a direct result of the restructuring announced in December 2011, and are independent of technological change or evolution of best practices that the Group could not predict or influence. The long-term operating margins applied to CGUs were in the range of 4.5% (2010: 4.0%) to 10.0% (2010: 10.0%).

The long-term operating margins assumed for the most significant CGUs were as follows:

	2011 %	2010 %
France	**9.0**	9.0
Northern and Central Europe*	**8.9**	8.8
United Kingdom	**9.0**	9.0
Sweden	**9.5**	9.0

* Weighted average long-term operating margin applied to CGUs in Northern and Central Europe.

Long-term growth rates of net operating cash flows

Long-term growth rates of net operating cash flows are assumed equal to the long-term growth rate in the gross domestic product of the country in which the CGU's operations are undertaken, and were in the range of 0.5% (2010: 0.3%) to 8.3% (2010: 8.2%).

The long-term growth rates of net operating cash flows assumed for the most significant CGUs were as follows:

	2011 %	2010 %
France	**1.6**	1.5
Northern and Central Europe*	**1.5**	2.0
United Kingdom	**1.3**	1.6
Sweden	**2.5**	2.2

*Weighted average long-term growth rate applied to CGUs in Northern and Central Europe.

Summary of results

During the year, all goodwill was tested for impairment, with no impairment charge resulting (2010: £nil).

Sensitivity to changes in assumptions

As part of the VIU testing the Directors consider the impact that a range of scenarios could have on the key assumptions within the VIU calculation.

Long-term operating margin

The Directors consider that a reduction of 1% in the absolute value of long-term operating margins across all CGUs would be the limit of what could be considered to be reasonably possible on the basis that the Group's cost base is flexible and could quickly respond to market changes. The Group is spread across a range of sectors and geographies and has a large number of long-term contracts which help to insulate it from more significant changes.

16. Goodwill
(continued)

Long-term discount rate

The Group bases its estimate for the long-term pre-tax discount rate on its weighted average cost of capital (WACC) using long-term market data and industry data to derive the appropriate inputs to the calculation. The Directors consider that a 1% change in the absolute discount rate is the maximum change that should be considered as reasonably possible as this represents an 8% to 20% increase in the WACC.

Long-term growth rate

The Group uses a long-term growth rate that is the same as the long-term growth rate of gross domestic product (GDP) of the country in which the CGU is based, using Economist Intelligence Unit (EIU) data. Given these are long-term rates, the Directors consider a change of 1% in the absolute value of the long-term growth rate to be the limit of what is reasonably possible.

Summary of sensitivity analysis

Other than as set out below, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of any CGU to exceed its recoverable amount.

	Resulting impairment charge		
	1% decrease in long-term operating margin £'m	1% increase in long-term discount rate £'m	1% decrease in long-term growth rate £'m
Benelux	7.1	4.7	5.5
International	4.0	–	1.1

Sensitivity to margins at 2011 levels

The value in use calculation remains most sensitive to a change in the long-term operating margin. If operating margins were to remain in perpetuity at 2011 levels – which include the impact of the disappointing performance in the Netherlands, Sweden and Belgium and the contract charges announced in December 2011, impairment charges would be recorded against the carrying value of the Netherlands (£24.3 million), Spain (£25.8 million), Germany (£48.3 million), Sweden (£294.6 million), Belgium (£8.9 million) and Brazil (£10.4 million) CGUs. In addition, the headroom available in the Portugal CGU would be reduced to £1.9 million. The Directors consider this highly improbable. There would be no impairment in the remaining CGUs.

Macro-economic exposures

The Brazil CGU remains sensitive for changes in all three key assumptions made in the impairment model. With a combined reduction of 1% in the operating margin, discount rates and growth rate assumptions the Brazil CGU would incur an impairment of approximately £2 million to the carrying value of goodwill of £16.7 million (2010: £17.2 million). The Directors consider this unlikely particularly given the strong growth prospects in Brazil and market values indicated by recent corporate transactions in the Brazilian IT market. As a consequence no impairment has been recognised.

The current economic uncertainties experienced in Europe and austerity measures adopted by European governments have led to lower margins in these markets. The Group's exposure to those European markets most exposed to the current financial crises is limited to Portugal. With a combined reduction of 1% in the operating margin, discount rates and long-term growth rate assumptions the Portugal CGU would incur an impairment of approximately £8 million to the carrying value of goodwill of £39.0 million (2010: £40.0 million). The Directors consider this unlikely. The assumptions applied to the Portugal CGU have already been adjusted to reflect the current economic uncertainties. As a consequence no impairment has been recognised.

17. Other intangible assets

	Purchased computer software £'m	Development costs £'m	Brand names £'m	Customer contracts/ relationships £'m	Software Products £'m	Total £'m
Cost						
At 1 January 2010	36.0	41.2	124.3	359.1	40.9	601.5
Additions	7.6	21.2	–	–	–	28.8
Acquisition of subsidiaries/businesses	–	–	–	0.3	–	0.3
Disposals	(1.7)	(3.3)	–	–	–	(5.0)
Exchange differences	0.8	0.3	1.8	6.4	0.3	9.6
At 1 January 2011	42.7	59.4	126.1	365.8	41.2	635.2
Additions	7.2	22.0	–	–	–	29.2
Transfers	–	8.0	–	–	–	8.0
Acquisition of subsidiaries/businesses	–	–	1.4	10.0	–	11.4
Disposals	(10.8)	(0.9)	–	–	–	(11.7)
Exchange differences	(1.3)	(0.5)	(2.5)	(7.3)	(0.9)	(12.5)
At 31 December 2011	**37.8**	**88.0**	**125.0**	**368.5**	**40.3**	**659.6**
Accumulated amortisation						
At 1 January 2010	18.5	16.0	120.4	180.0	23.2	358.1
Charge for the year	6.2	9.1	3.4	50.3	5.9	74.9
Disposals	(1.1)	(3.3)	–	–	–	(4.4)
Exchange differences	0.7	(0.1)	1.9	3.2	0.2	5.9
At 1 January 2011	24.3	21.7	125.7	233.5	29.3	434.5
Charge for the year	8.3	10.0	0.3	48.5	5.7	72.8
Disposals	(10.4)	(0.9)	–	–	–	(11.3)
Exchange differences	(0.9)	(0.2)	(2.4)	(6.1)	(0.8)	(10.4)
At 31 December 2011	**21.3**	**30.6**	**123.6**	**275.9**	**34.2**	**485.6**
Net carrying amount						
At 31 December 2011	**16.5**	**57.4**	**1.4**	**92.6**	**6.1**	**174.0**
At 31 December 2010	18.4	37.7	0.4	132.3	11.9	200.7

Purchased computer software represented assets bought from third parties, whilst development costs represented internally generated intangible assets. Brand names, customer contracts/relationships and software products represented assets recognised as part of a business combination.

Individual intangible assets considered material to the Group related to customer contracts/relationships in Sweden with a net book value of £45.3 million (2010: £65.5 million) which had a remaining useful life of between two and three years (2010: three and four years). These assets related to the WM-data acquisition.

18. Property, plant and equipment

	Freehold land and buildings £'m	Leasehold property and improvements £'m	Equipment and plant £'m	Total £'m
Cost				
At 1 January 2010	28.4	49.3	235.2	312.9
Additions	0.3	2.7	44.1	47.1
Acquisition of subsidiaries/businesses	–	0.6	1.2	1.8
Disposals	–	(1.7)	(14.3)	(16.0)
Exchange differences	(0.2)	1.1	1.0	1.9
At 1 January 2011	28.5	52.0	267.2	347.7
Additions	0.7	5.9	43.7	50.3
Acquisition of subsidiaries/businesses	0.1	1.5	0.7	2.3
Disposals	–	(1.0)	(18.3)	(19.3)
Exchange differences	(0.4)	(1.8)	(10.2)	(12.4)
At 31 December 2011	**28.9**	**56.6**	**283.1**	**368.6**
Accumulated depreciation				
At 1 January 2010	8.7	23.3	148.1	180.1
Charge for the year	1.0	4.4	37.3	42.7
Disposals	–	(1.1)	(12.8)	(13.9)
Exchange differences	(0.2)	0.6	(0.1)	0.3
At 1 January 2011	9.5	27.2	172.5	209.2
Charge for the year	0.8	4.2	41.6	46.6
Disposals	–	(0.7)	(17.9)	(18.6)
Exchange differences	(0.2)	(1.0)	(7.1)	(8.3)
At 31 December 2011	**10.1**	**29.7**	**189.1**	**228.9**
Net carrying amount				
At 31 December 2011	**18.8**	**26.9**	**94.0**	**139.7**
At 31 December 2010	19.0	24.8	94.7	138.5

Equipment and plant included assets held under finance leases with a net book value of £2.0 million (2010: £3.1 million). Additions to equipment and plant during the year amounting to £0.6 million (2010: £1.3 million) were financed by new finance leases.

19. Investments in associates

The carrying value of the Group's investments in associates at 31 December 2011 is shown below:

Investments in associates	2011 £'m
At 1 January 2011	2.7
Share of post-tax profits of associates	1.0
Dividends received	(1.0)
Exchange differences	(0.1)
At 31 December 2011	**2.6**

Summarised information in respect of associates at 31 December 2011 is provided below on a 100% interest basis.

	2011 £'m	2010 £'m
Assets	21.1	22.8
Liabilities	(15.2)	(15.5)
Revenue	30.2	33.5
Net profit	1.7	4.2

20. Non-current financial assets

	2011 £'m	2010 £'m
Insurance contracts held to fund defined benefit pension and life assurance arrangements (Note 36)	12.4	12.1
Other financial assets	1.5	0.4
Derivative financial instruments (held for hedging) (Note 26)	27.6	–
	41.5	12.5

21. Inventories

	2011 £'m	2010 £'m
Computer equipment not allocated to a customer contract	0.4	0.6
Materials used in document printing and finishing	0.4	0.4
	0.8	1.0

The Directors estimate that the carrying value of inventories approximated their fair value less cost to sell.

22. Trade and other receivables

	2011 £'m	2010 £'m
Trade receivables	690.2	687.3
Less: provision for impairment	(7.2)	(6.1)
Trade receivables – net	683.0	681.2
Amounts recoverable on contracts	368.1	374.4
Accrued income	95.3	91.4
Prepayments	79.9	71.1
Derivative financial instruments (Note 26)	3.5	8.7
Other receivables	32.2	25.5
	1,262.0	1,252.3

22. Trade and other receivables
(continued)

Amounts recoverable on contracts included amounts due for settlement after more than one year of £22.1 million at 31 December 2011 (2010: £24.3 million).

Contracts accounted for under the percentage-of-completion method

Contracts in progress at the end of the reporting period:	**2011 £'m**	2010 £'m
Contract costs incurred plus recognised profits less recognised losses to date	**5,541.3**	5,579.4
Less: progress billings to date	**(5,298.1)**	(5,335.2)
	243.2	244.2
Recognised as:		
Amounts due from contract customers included in trade and other receivables	**368.1**	374.4
Amounts due to contract customers included in trade and other payables	**(124.9)**	(130.2)
	243.2	244.2

The Group's credit risk on trade and other receivables is primarily attributable to trade receivables and amounts recoverable on contracts. The Group has no significant concentrations of credit risk since the risk is spread over a large number of unrelated counterparties. The majority of trade receivables and amounts recoverable on contracts represent amounts due from government bodies and large corporate internationals, spread across the following geographies:

	2011		2010	
	Trade receivables £'m	**Amounts recoverable on contracts £'m**	Trade receivables £'m	Amounts recoverable on contracts £'m
France	**209.6**	**113.9**	205.9	95.9
Northern and Central Europe	**145.7**	**27.0**	140.3	31.8
United Kingdom	**72.0**	**175.8**	65.0	187.2
Sweden	**121.2**	**11.9**	128.2	7.5
Benelux	**61.6**	**12.4**	72.8	30.6
International	**72.9**	**27.1**	69.0	21.4
	683.0	**368.1**	681.2	374.4

The Directors estimate that the carrying value of financial assets within trade and other receivables approximated their fair value.

At 31 December 2011, trade receivables of £109.3 million (2010: £111.9 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The amounts are still considered recoverable. The average age of these receivables was 59 days (2010: 68 days).

Movements in the Group provision for impairment of trade receivables were as follows:

	2011 £'m	2010 £'m
At 1 January	**6.1**	6.8
Provision for receivables impairment	**3.6**	1.7
Receivables written off during the year as uncollectible	**(2.0)**	(2.2)
Unused amounts reversed	**(0.3)**	(0.2)
Exchange differences	**(0.2)**	–
At 31 December	**7.2**	6.1

22. Trade and other receivables
(continued)

In determining the recoverability of a trade receivable, the Group considers the ageing of each debtor and any change in the circumstances of the individual debtors. The Directors believe that there is no further provision required in excess of the allowance for doubtful debts.

The creation and release of provision for impaired receivables have been included in net operating costs in the statement of comprehensive income.

Unwinding of discount is included in finance income in the statement of comprehensive income (Note 11). Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

At 31 December 2011, trade receivables of £7.9 million (2010: £7.7 million) were either partially or fully impaired. The ageing of these receivables was as follows:

	2011 £'m	2010 £'m
Less than three months	**0.1**	0.1
Three to six months	**0.1**	0.3
Over six months	**7.7**	7.3
	7.9	7.7

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The Group held no collateral as security.

23. Trade and other payables

	2011 £'m	2010 £'m
Trade payables	**198.2**	198.5
Payments received on account on contracts	**124.9**	130.2
Accruals	**252.8**	256.3
Social security and other taxes	**203.5**	206.2
Employee benefit liabilities	**180.7**	188.0
Derivative financial instruments (note 26)	**6.0**	8.2
Other payables	**95.8**	75.0
	1,061.9	1,062.4

The Directors estimate that the carrying value of trade and other payables approximated their fair value.

24. Reconciliation of movements in net debt

The Group defines net debt as borrowings, including related derivatives, less cash:

	At 1 January 2011 £'m	Cash flows £'m	Other non-cash movements £'m	Acquisitions £'m	Exchange differences £'m	At 31 December 2011 £'m
Cash and cash equivalents	56.4	51.0	–	(16.7)	(1.1)	**89.6**
Bank overdrafts	(25.8)	(7.2)	–	–	–	**(33.0)**
	30.6	43.8	–	(16.7)	(1.1)	**56.6**
Finance leases	(4.2)	2.4	(0.6)	(0.8)	0.1	**(3.1)**
Bank loans	(216.3)	149.8	(1.7)	(3.6)	(0.2)	**(72.0)**
Private placement debt notes	(88.7)	(187.8)	(17.7)	–	(3.1)	**(297.3)**
Other borrowings	(1.6)	1.3	(0.1)	(5.5)	0.1	**(5.8)**
Derivatives in respect of net debt (Note 26)	–	–	12.2	–	14.4	**26.6**
Net debt	(280.2)	9.5	(7.9)	(26.6)	10.2	**(295.0)**

24. Reconciliation of movements in net debt
(continued)

Cash, cash equivalents and bank overdrafts at the end of the reporting period comprised:

	2011 £'m	2010 £'m
Cash at bank and in hand	**78.9**	56.4
Short-term deposits	**10.7**	–
	89.6	56.4
Bank overdrafts	**(33.0)**	(25.8)
Cash, cash equivalents and bank overdrafts	**56.6**	30.6

The Group's credit risk on cash, cash equivalents and bank overdrafts is limited because the counterparties are well-established banks with high credit ratings. Included in cash at bank and in hand were overdrafts that were part of cash pooling arrangements for which a legal right of off-set existed against positive cash balances that were of an equal or greater amount at the end of the reporting period. The Directors estimate that the carrying value of cash and cash equivalents approximated their fair value.

The Group's policy for cash investments requires that cash and deposits only be placed with counterparties that have a minimum A1/P1 short term rating and A- equivalent long term credit rating. The reference to ratings must include at least one from either Standard & Poor's or Moody's. Cash and deposits are limited to £25.0 million per bank where the bank has a minimum AA-rating and £10.0 million per bank where the bank is rated A or A-. No credit limits were exceeded during the reporting period and management does not expect any losses from non-performance by any of these counterparties.

25. Borrowings

	2011 £'m	2010 £'m
Current		
Bank overdrafts	**33.0**	25.8
Bank loans	**0.2**	175.2
Finance lease obligations	**1.5**	2.7
Other borrowings	**0.4**	0.6
	35.1	204.3
Presented as:		
Other borrowings	**35.1**	204.3
	35.1	204.3
Non-current		
Bank loans	**71.8**	41.1
Private placement debt notes	**297.3**	88.7
Finance lease obligations	**1.6**	1.5
Other borrowings	**5.4**	1.0
	376.1	132.3

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2011 £'m	2010 £'m
Pound sterling	**95.8**	44.9
Euro	**120.4**	272.7
US dollar	**165.4**	–
Swedish krona	**0.3**	2.5
Other currencies	**29.3**	16.5
	411.2	336.6

Borrowing facilities
At 31 December 2011, the Group had the following unsecured principal debt facilities:

Bank facilities
- a €307.5 million revolving credit facility maturing on 26 November 2013. At 31 December 2011, €36.0 million (£30.0 million) was drawn down under the facility (2010: nil). The facility paid interest at an average rate of 2.64% (2010: 2.67%);
- a £100 million receivables facility. The facility matures on 22 July 2015 and was undrawn at both 31 December 2011 and 31 December 2010;
- a €50 million bilateral term loan. The term loan matures 26 January 2014. The term loan was available from 10 September 2010, and was fully drawn at 31 December 2011;

25. Borrowings
(continued)

- a €25 million bilateral revolving credit facility maturing on 21 December 2013. The facility was undrawn at 31 December 2011 and 31 December 2010;
- a €25 million bilateral revolving credit facility. The facility reduces in annual increments from 1 August 2013, with a final maturity of 31 July 2016. The facility was undrawn at 31 December 2011;
- a €25 million bilateral revolving credit facility signed 1 July 2011, maturing on 1 July 2016. The facility was undrawn at 31 December 2011;
- a €25 million bilateral revolving credit facility signed 6 July 2011, maturing on 6 July 2016. The facility was undrawn at 31 December 2011;
- a €30 million bilateral revolving credit facility signed 20 December 2011, maturing on 20 December 2016. The facility was undrawn at 31 December 2011; and
- a €40 million bilateral revolving credit facility signed 21 December 2011, maturing on 21 December 2016. The facility was undrawn at 31 December 2011.

Since 1 January 2012, the Group signed the following additional unsecured debt facilities
- a €40 million bilateral revolving credit facility maturing on 6 January 2017; and
- a €40 million bilateral revolving credit facility maturing on 17 January 2017.

Private placement notes
- a €56.2 million (£46.8 million) (2010: £48.0 million) private placement. Tranche A €18.7 million (£16.0 million) matures on 21 April 2015 and pays interest at 4.5175%, Tranche B €18.7 million (£16.0 million) matures on 21 April 2016 and pays interest at 4.85% and Tranche C €18.7 million (£16.0 million) matures on 21 April 2017 and pays interest at 5.2075%;
- a £40 million private placement. The debt pays interest at 5.26% and matures on 25 November 2020;
- a €20 million (£16.7 million) private placement signed on 7 July 2011, maturing on 7 July 2016 and pays interest at 3.71%;
- a $25 million (£16.1 million) private placement signed on 7 July 2011, maturing on 7 July 2016 and pays interest at 4.27%;
- a £25 million private placement signed on 7 July 2011, maturing on 7 July 2018 and pays interest at 4.39%;
- a $110 million (£71.0 million) private placement signed on 7 July 2011, maturing on 7 July 2018 and pays interest at 4.63%; and
- a $100 million (£64.5 million) private placement signed on 7 July 2011, maturing on 7 July 2021 and pays interest at 5.06%.

The obligations of the borrowers listed above are guaranteed by the principal UK subsidiary, Logica UK Limited.

Finance lease obligations
The minimum lease payments under finance leases, and their present value, fell due as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2011 £'m	2010 £'m	**2011 £'m**	2010 £'m
Within one year	**1.6**	3.0	**1.5**	2.7
In two to five years	**1.7**	1.7	**1.6**	1.5
	3.3	4.7	**3.1**	4.2
Future finance charges	**(0.2)**	(0.5)		
Present value of lease obligations	**3.1**	4.2		

The Group's obligations under finance leases are secured by the lessor's title to the leased assets.

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25. Borrowings
(continued)

All borrowings

The syndicated bank loans, bilateral revolving credit facilities, overdrafts and other borrowings bear floating rates of interest based on LIBOR or equivalents appropriate to the currency in which the borrowing is incurred, and thus expose the Group to cash flow interest rate risk. The private placements and finance lease obligations bear fixed rates of interest and therefore expose the Group to fair value interest rate risk.

Borrowings are denominated in the borrowing entity's functional currency except for certain amounts drawn down under the revolving credit facility, term loans, the €56.2 million private placement, €20 million private placement and $235 million private placement.

€106.2 million (£88.5 million) (2010: €106.2 million (£90.8 million)) of borrowings not denominated in the functional currency of the borrowing Company are designated as hedges of net investments in foreign operations (see Note 26) and therefore only expose the Group to statement of comprehensive income foreign currency risk to the extent that the hedge is ineffective.

€20 million and €235 million (£168.3 million) (2010: £nil) of fixed rate borrowings not denominated in the functional currency of the borrowing Company are designated as fair value hedges (see Note 26). Changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk are recognised in the income statement within 'finance costs'.

The Directors have estimated the fair value of the Group's borrowings as follows:

	2011 £'m	2010 £'m
Bank overdrafts	**33.0**	25.8
Bank loans	**72.0**	216.3
Private placement debt notes	**297.3**	88.7
Finance lease obligations	**3.0**	4.1
Other borrowings	**5.8**	1.6
	411.1	336.5

Fair value has been estimated by discounting the cash flows relating to borrowings at the market rate at the end of the reporting period or, for the quoted instruments, by reference to the prevailing market price and exchange rate at the end of the reporting period.

26. Financial instruments

Categories of financial instruments

	2011			
Assets as per the statement of financial position	**Assets at fair value through profit and loss £'m**	**Derivatives used for hedging £'m**	**Loans and receivables £'m**	**Total £'m**
Non-current other financial assets (Note 20)	**–**	**–**	**1.5**	**1.5**
Trade receivables (Note 22)	**–**	**–**	**683.0**	**683.0**
Cash and cash equivalents (Note 24)	**–**	**–**	**89.6**	**89.6**
Non-current derivative financial instruments (held for hedging) (Note 20)	**–**	**27.6**	**–**	**27.6**
Current derivative financial instruments (held for hedging) (Note 22)	**–**	**0.8**	**–**	**0.8**
Derivative financial instruments (held for trading) (Note 22)	**2.7**	**–**	**–**	**2.7**
	2.7	**28.4**	**774.1**	**805.2**

	2010			
Assets as per the statement of financial position	Assets at fair value through profit and loss £'m	Derivatives used for hedging £'m	Loans and receivables £'m	Total £'m
Non-current other financial assets (Note 20)	–	–	0.4	0.4
Trade receivables (Note 22)	–	–	681.2	681.2
Cash and cash equivalents (Note 24)	–	–	56.4	56.4
Derivative financial instruments (held for trading) (Note 22)	8.7	–	–	8.7
	8.7	–	738.0	746.7

26. Financial instruments
(continued)

Liabilities as per the statement of financial position	2011 Liabilities at fair value through profit and loss £'m	Derivatives used for hedging £'m	Amortised cost £'m	Total £'m
Trade payables (Note 23)	–	–	198.2	198.2
Accruals (Note 23)	–	–	252.8	252.8
Bank overdrafts (Note 25)	–	–	33.0	33.0
Bank loans (Note 25)	–	–	72.0	72.0
Private placement debt notes (Note 25)	209.8	–	87.5	297.3
Finance lease obligations (Note 25)	–	–	3.1	3.1
Other borrowings (Note 25)	–	–	5.8	5.8
Non-current derivative financial instruments (held for hedging)	–	4.3	–	4.3
Current derivative financial instruments (held for hedging) (Note 23)	–	0.3	–	0.3
Derivative financial instruments (held for trading) (Note 23)	5.7	–	–	5.7
	215.5	4.6	652.4	872.5

The non-current derivative financial instruments of £4.3 million are included in other non-current liabilities on the statement of financial position.

Liabilities as per the statement of financial position	2010 Liabilities at fair value through profit and loss £'m	Derivatives used for hedging £'m	Amortised cost £'m	Total £'m
Trade payables (Note 23)	–	–	198.5	198.5
Accruals (Note 23)	–	–	256.3	256.3
Bank overdrafts (Note 25)	–	–	25.8	25.8
Bank loans (Note 25)	–	–	216.3	216.3
Private placement debt notes (Note 25)	–	–	88.7	88.7
Finance lease obligations (Note 25)	–	–	4.2	4.2
Other borrowings (Note 25)	–	–	1.6	1.6
Derivative financial instruments (held for hedging) (Note 23)	–	3.9	–	3.9
Derivative financial instruments (held for trading) (Note 23)	4.3	–	–	4.3
	4.3	3.9	791.4	799.6

Financial risk management

The multi-national nature of the Group's operations and their financing exposes it to a variety of financial risks. The principal risks that the Group is exposed to are capital risk, foreign currency exchange rate risk, interest rate risk and liquidity risk. The Group's policies with respect to managing those risks in both the current and prior year are set out below. The Group does not undertake any speculative trading in financial instruments.

The Group's treasury function (Group Treasury) provides a centralised service to the Group for funding and foreign exchange management. Group Treasury operates within policies and procedures that are formally approved by the Board, which include strict controls on the use of financial instruments in managing the Group's risks. The policies provide written principles on net debt management, currency mix of debt, central funding liquidity, interest rate risk, foreign currency risk, bonds and guarantees, and cash investment and counterparty limits. Compliance with key policies and exposure limits is reviewed by internal audit on a regular basis.

Capital risk management

The Group's policy on capital structure is to keep the ratio of net debt to earnings before interest, tax, depreciation and amortisation below a target level as set by the Board. The Board also sets the dividend policy and reviews uses of cash and currency mix of debt to ensure that the capital structure (leverage) ratio remains within the target and thereby comfortably below the financial covenants contained within the Group's debt facilities. The Group was in compliance with all debt covenants at each reporting period end. The Group calculates net debt as described in Note 24. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debt.

26. Financial instruments
(continued)

Foreign exchange risk

The Group has operations in many countries worldwide, exposing the Group to foreign exchange risk on the translation of the statement of comprehensive income and statement of financial position of foreign operations into pounds sterling. Operations are also subject to foreign exchange risk from committed transactions denominated in currencies other than their functional currency and, once recognised, the revaluation of foreign currency denominated assets and liabilities.

The translation of the statement of financial positions of overseas operations has been partially hedged by managing the currency mix of the Group's borrowings. The Group used euro and Swedish krona borrowings to hedge the statement of financial position translation of operations with the euro and Swedish krona as their functional currency. The Group does not hedge the foreign exchange risk relating to the translation of the statement of comprehensive incomes of overseas operations.

To mitigate foreign exchange risk arising from transactions denominated in currencies other than an entity's functional currency, assets and liabilities not denominated in the functional currencies are hedged economically by means of forward contracts. The Group has not applied hedge accounting to these contracts. The Group's Treasury Risk Management Policy requires all companies in the Group to hedge their material assets and liability exposures in full by using forward contracts. Additionally, where material, the Group hedges its contracted future project cash flows in foreign currencies by using forward contracts. Group Treasury is the only function in the Group allowed to transact external foreign exchange contracts with banks. To ensure compliance with the above policy, subsidiaries use Group Treasury as an internal bank, hedging their material foreign exchange exposures on an inter-Company basis. These exposures are then aggregated and netted in Group Treasury and the overall position hedged externally.

The foreign exchange exposures for the most significant foreign currencies reported to Group Treasury and the related hedging of those exposures against pounds sterling at 31 December were as follows:

	2011		
	€'m	**US$'m**	**SEK'm**
Reported exposure	**(173.1)**	**60.2**	**1,848.7**
Forward contracts	**173.1**	**(60.2)**	**(1,848.7)**

	2010		
	€'m	US$'m	SEK'm
Reported exposure	(182.5)	43.0	2,128.6
Forward contracts	182.5	(43.0)	(2,128.6)

Positive amounts represented an asset or a forward purchase, whereas negative amounts represented a liability or forward sale.

At 31 December 2011, if the euro, US dollar and Swedish krona had strengthened by 10% against pounds sterling with all other variables held constant, post-tax profit and equity for the year would have been lower as follows:

	2011		2010	
Project forward contracts	**Profit and loss £'m**	**Equity £'m**	Profit and loss £'m	Equity £'m
Euro	**(2.1)**	**(10.8)**	(1.1)	(9.1)
US dollar	**(0.2)**	**–**	(0.2)	–
Swedish krona	**–**	**(4.7)**	–	(12.3)

If these currencies had weakened by 10%, the opposite would be true. A movement of 10% reflects a reasonably possible sensitivity when compared to historical movements over a three to five-year timeframe.

The movement in post-tax profit is as a result of foreign exchange gains/losses on translation of US dollar, euro and Swedish krona denominated derivatives used to hedge contracted project future cash flows.

The movement on equity is mainly as a result of foreign exchange losses/gains on translation of borrowings and derivatives designated as net investment hedges.

The above impact on equity of movements in exchange rates does not include the change in value of underlying investments denominated in foreign currency which are being hedged.

26. Financial instruments
(continued)

Interest rate risk

The Group's policy is to fund its operations through a mixture of retained earnings, equity and debt. Careful consideration is given to the appropriate split of debt and equity to ensure acceptable levels of liquidity and interest rate risk. Interest rate risk is then further managed by hedging a portion of the Group's floating rate borrowings at fixed rates of interest. At 31 December 2011, the Group had £120.3 million (2010: £222.0 million) of fixed rate borrowings out of total borrowings of £411.2 million (2010: £336.6 million).

The Group has a series of cross-currency swaps where it will receive fixed rate interest on $235 million and pay floating rate interest on €164.7 million. The cross-currency swaps have been bifurcated into:

- a receive fixed rate interest on $235 million and pay floating rate interest on £142.8 million floating rate cross-currency swap designated as a fair value hedge; and
- a receive floating rate interest on £142.8 million and pay floating rate interest on €164.7 million cross-currency swap designated as a cash flow hedge.

The Group also entered into an interest rate swap where it receives fixed rate interest on €20 million and pays floating rate interest on €20 million designated as a cash flow hedge.

If interest rates on floating rate euro, Swedish krona and pounds sterling denominated borrowings had been 50 basis points higher during the years ended 31 December 2011 and 2010, with all other variables held constant, post-tax profit would have been lower as a result of higher interest expense on those borrowings, as follows:

Borrowings	2011 £'m	2010 £'m
Euro	**1.0**	2.0
Pound sterling	**0.3**	0.1
US dollar	**0.4**	–

Liquidity risk

The Group's policy is to maintain sufficient headroom to meet its foreseeable financing requirements. Substantial committed facilities are maintained with a syndicate of leading international banks and private placement debt holders. At 31 December 2011, the Group had available committed debt facilities of £822.7 million (2010: £713.1 million) of which £354.8 million (2010: £306.6 million) had been drawn down, giving a headroom of £467.9 million (2010: £406.5 million). The highest amount drawn down on these facilities during 2011 was £587.1 million (2010: £554.8 million).

The table on the next page analyses the Group's financial liabilities and net-settled derivative financial instruments into relevant maturity groupings based on the remaining period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows and include both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial liability in the statement of financial position. Except for bank loans, private placement debt notes and finance lease obligations, balances due within year equal their carrying balances as the impact of discounting is not significant.

26. Financial instruments
(continued)

	2011					
	On demand or within one year £'m	**Between one and two years £'m**	**Between two and five years £'m**	**Over five years £'m**	**Adjustment £'m**	**Total £'m**
Bank overdrafts	**(33.0)**	**–**	**–**	**–**	**–**	**(33.0)**
Bank loans	**(3.5)**	**(32.3)**	**(44.2)**	**–**	**8.0**	**(72.0)**
Private placement debt notes	**(8.5)**	**(8.5)**	**(58.6)**	**(328.0)**	**106.3**	**(297.3)**
Finance lease obligations	**(1.6)**	**(1.7)**	**–**	**–**	**0.2**	**(3.1)**
Other borrowings	**(0.8)**	**(0.6)**	**(0.3)**	**(4.1)**	**–**	**(5.8)**
	(47.4)	**(43.1)**	**(103.1)**	**(332.1)**	**114.5**	**(411.2)**
Trade and other payables excluding derivative financial instruments, and social security and other taxes	**(852.4)**	**–**	**–**	**–**	**–**	**(852.4)**
	(899.8)	**(43.1)**	**(103.1)**	**(332.1)**	**114.5**	**(1,263.6)**

	2010					
	On demand or within one year £'m	Between one and two years £'m	Between two and five years £'m	Over five years £'m	Adjustment £'m	Total £'m
Bank overdrafts	(25.8)	–	–	–	–	(25.8)
Bank loans	(180.9)	(0.8)	(45.3)	–	10.7	(216.3)
Private placement debt notes	(4.5)	(4.5)	(29.1)	(84.3)	33.7	(88.7)
Finance lease obligations	(3.0)	(1.3)	(0.4)	–	0.5	(4.2)
Other borrowings	(0.6)	(0.6)	(0.4)	–	–	(1.6)
	(214.8)	(7.2)	(75.2)	(84.3)	44.9	(336.6)
Trade and other payables excluding derivative financial instruments, and social security and other taxes	(848.0)	–	–	–	–	(848.0)
	(1,062.8)	(7.2)	(75.2)	(84.3)	44.9	(1,184.6)

Financial instruments: fair value measurement

The Group's disclosure of fair value measurement by level is based on the following hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- input other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as price) or indirectly (that is, derived from prices) (level 2); and
- inputs from the assets or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at the end of the reporting period, the Group had only level 2 financial instruments that are measured at fair value.

The following table shows the value and type of derivative financial instruments that are measured at fair value at 31 December 2011. These are recognised as separate assets and liabilities in the statement of financial position in trade and other receivables and trade and other payables at 31 December:

26. Financial instruments
(continued)

	2011 £'m	2010 £'m
Assets:		
Fair value hedges		
– bifurcated cross currency swaps	**25.7**	–
– interest rate swaps	**0.9**	–
Cash flow hedges		
– bifurcated cross currency swaps	**1.0**	–
Net investment hedges		
– forward foreign exchange contracts	**0.8**	–
Held for trading		
– forward foreign exchange contracts	**2.7**	8.7
Total assets	**31.1**	8.7
Liabilities:		
Cash flow hedges		
– bifurcated cross currency swaps	**4.3**	–
– interest rate swaps	**–**	0.2
Net investment hedges		
– forward foreign exchange contracts	**0.3**	3.7
Held for trading		
– forward foreign exchange contracts	**5.7**	4.3
Total liabilities	**10.3**	8.2
Net assets	**20.8**	0.5
Current		
– assets	**3.5**	8.7
– liabilities	**(6.0)**	(8.2)
Non-current		
– assets	**27.6**	–
– liabilities	**(4.3)**	–
	20.8	0.5
– in respect of net debt	**26.6**	–
– other	**(5.8)**	0.5
Net assets	**20.8**	0.5

Valuation techniques used to value financial instruments are as follows:

- the fair value of cross currency swaps is determined based on market data (primarily yield curves and exchange rates) to calculate the present value of all estimated flows associated with each instrument;
- the fair value of interest rate swaps is determined from dealer quotes of the instruments; and
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of the reporting period.

The principal currencies of forward foreign exchange contracts outstanding at 31 December 2011 were the euro, Swedish krona and the US dollar. The notional amounts outstanding at that date were €192.7 million (buying) (2010: €193.4 million (net buying)), SEK 1,850.5 million (selling) (2010: SEK 2,156.3 million (net selling)) and $58.7 million (selling) (2010: $45.7 million (selling)).

26. Financial instruments
(continued)

Hedges of net investments in foreign operations

On 1 January 2011, the Group had euro and Swedish krona borrowings which it has designated as a hedge of the net investment in its subsidiaries in Eurozone countries and Sweden. At 31 December 2011 the designated borrowings comprised SEK500 million and €24 million forward contracts, €50 million bilateral term loan debt and €56.2 million of private placement debt. The fair value of the designated euro borrowings at 31 December 2011 was a liability of £88.5 million (2010: £90.8 million), of the euro forward contracts was an asset of £0.8 million (2010: £nil) and that of the Swedish krona forward contracts was a liability of £0.3 million (2010: liability of £3.7 million).

The foreign exchange loss of £0.6 million relating to these borrowings in the year ended 31 December 2011 (2010: £4.0 million loss) has been recognised directly in the translation reserve. There was no hedging ineffectiveness recognised in the statement of comprehensive income in the year ended 31 December 2011 (2010: £nil). The foreign exchange loss was offset by the decline in value in pounds sterling terms, of the Group's net assets in Eurozone countries and Sweden.

27. Provisions

	Vacant properties £'m	Restructuring £'m	Other £'m	Total £'m
At 1 January 2011	31.9	16.4	18.2	66.5
Charged to the statement of comprehensive income	15.5	96.1	3.4	115.0
Utilised in the year	(8.2)	(28.8)	(3.5)	(40.5)
Unused amounts reversed	(2.7)	–	(1.1)	(3.8)
Unwinding of discount	1.3	–	–	1.3
Exchange differences	–	(0.1)	(0.7)	(0.8)
At 31 December 2011	**37.8**	**83.6**	**16.3**	**137.7**

Analysed as:	
Current liabilities	**90.0**
Non-current liabilities	**47.7**
	137.7

Vacant properties

At 31 December 2011, provisions for vacant properties represented residual lease commitments, together with associated outgoings, for the remaining period on certain property leases, after taking into account sub-tenant arrangements. The property costs provided for are mainly related to properties located in the UK, Netherlands, Sweden, and Australia. At 31 December 2011, non-current vacant property provisions amounted to £25.0 million (2010: £23.4 million) of which £10.2 million was payable between one and two years, £10.9 million between two and five years, and the balance thereafter. Of the amount charged to the statement of comprehensive income, £13.0 million related to the property rationalisation announced on 14 December 2011, and is included in property costs (Note 6).

Restructuring

At 31 December 2011, the restructuring provision mainly related to the restructuring of the businesses announced on 14 December 2011. The restructuring programme comprised property rationalisation, a reduction in headcount and other measures to reduce the cost base. £80.4 million of the amount charged to the statement of comprehensive income related to the 14 December 2011 accelerated restructuring (Note 6). Where appropriate, provisions arising from the property rationalisation are categorised as vacant property. At 31 December 2011, £73.2 million of the restructuring provision was payable within one year, with the remaining balance payable between one and two years.

Other

At 31 December 2011, the other provisions related to the value of legal claims. At 31 December 2011, £4.0 million of the other provision was payable within one year, with the remaining balance payable between two and five years.

28. Deferred tax

	Property, plant and equipment £'m	Intangible assets £'m	Retirement benefits £'m	Tax losses £'m	Other £'m	Total £'m
At 1 January 2010	7.2	(50.0)	9.4	28.0	4.9	(0.5)
(Charge)/credit to profit or loss for the year	1.3	16.2	(0.8)	(8.9)	1.6	9.4
Credit to equity	–	–	0.6	–	–	0.6
Acquisition of subsidiaries	–	–	–	–	(0.1)	(0.1)
Exchange differences	0.2	(1.4)	0.2	0.7	0.1	(0.2)
At 1 January 2011	8.7	(35.2)	9.4	19.8	6.5	9.2
(Charge)/credit to profit or loss for the year	(1.7)	12.1	(1.4)	26.5	5.0	40.5
Charge to equity	–	–	(7.3)	–	–	(7.3)
Acquisition of subsidiaries	–	(3.4)	–	–	(0.7)	(4.1)
Exchange differences	(0.2)	0.8	(0.2)	(0.4)	(0.3)	(0.3)
At 31 December 2011	**6.8**	**(25.7)**	**0.5**	**45.9**	**10.5**	**38.0**

Deferred tax assets and liabilities are offset where there is a legally enforceable right of offset and the Group intends to settle the balances on a net basis. An analysis of the deferred tax balances for financial reporting purposes is shown in the table below:

	2011 £'m	2010 £'m
Deferred tax assets	**84.0**	70.3
Deferred tax liabilities	**(46.0)**	(61.1)
	38.0	9.2

The Group has estimated that £30.9 million of the deferred tax assets of £84.0 million at 31 December 2011 will be recoverable within 12 months.

Deferred tax assets of £7.3 million (2010: £0.6 million) relating to retirement benefit schemes were recognised directly in other comprehensive income.

At 31 December 2011, the Group had unused tax losses of £178.1 million (2010: £228.3 million) available for offset against future taxable profits for which no deferred tax asset had been recognised. At 31 December 2011, £5.5 million (2010: £57.8 million) of the unused losses are subject to time expiry rules and will expire in full on or before 31 December 2019 (2010: 31 December 2019).

No deferred tax liability was recognised in respect of the unremitted earnings of overseas subsidiaries and associates as the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. The Group has estimated that tax of £16.9 million (2010: £11.6 million) would arise in respect of remitting all earnings of overseas subsidiaries to the UK to the extent legally possible.

The UK main corporation tax rate decrease to 26%, effective 1 April 2011, was substantively enacted on 29 March 2011. A further decrease to 25%, effective from 1 April 2012, was substantively enacted on 5 July 2011. As a result of these changes the relevant deferred tax balances have been re-measured. The effects on the results for the year ended 31 December 2011 is an additional tax charge of £0.7 million.

29. Share capital

	2011		2010	
Allotted, called-up and fully paid	**Number**	**£'m**	Number	£'m
At 1 January	**1,601,941,495**	**160.2**	1,600,615,806	160.0
Allotted under share plans	**10,032,071**	**1.0**	1,325,689	0.2
At 31 December	**1,611,973,566**	**161.2**	1,601,941,495	160.2

The Company has one class of issued share capital, comprising ordinary shares of 10p each. Subject to the Company's Articles of Association and applicable law, the Company's ordinary shares confer on the holder: the right to receive notice of and vote at general meetings of the Company; the right to receive any surplus assets on a winding-up of the Company; and an entitlement to receive any dividend declared on ordinary shares.

30. Share premium

	2011 £'m	2010 £'m
At 1 January	**1,107.4**	1,107.1
Premium on shares allotted under share plans	**3.2**	0.3
At 31 December	**1,110.6**	1,107.4

31. Other reserves

	Treasury Shares £'m	Translation reserve £'m	Capital redemption reserve £'m	Merger reserve £'m	Other £'m	Total £'m
At 1 January 2010	(35.1)	368.7	8.4	620.7	(1.5)	961.2
Exchange differences	–	12.2	–	–	(0.8)	11.4
At 1 January 2011	(35.1)	380.9	8.4	620.7	(2.3)	972.6
Cash flow hedges	–	–	–	–	(3.2)	(3.2)
Exchange differences	–	(53.5)	–	–	(0.5)	(54.0)
At 31 December 2011	**(35.1)**	**327.4**	**8.4**	**620.7**	**(6.0)**	**915.4**

Treasury shares

The Group holds shares in the Logica ESOP Trust for the benefit of Logica employees. The Trust purchases the Company's shares in the market for use in connection with the Group's employee share plans. As at the year end, the Treasury Shares reserve related solely to shares purchased and disposed of by the Trust, and would be deducted in determining the amount the Company had available for distribution at that date.

At 31 December 2011, the Trust owned 10,910,510 ordinary shares (2010: 11,807,522) with a nominal value of £1.1 million (2010: £1.2 million). The trustees of the Logica ESOP Trust have agreed to waive the right to future dividends on ordinary shares held by the Trust except for a nominal amount. At 31 December 2011 and 2010, the nominal amount payable to the Trust was 0.001 pence per share.

Translation reserve

The translation reserve represented the accumulated exchange differences arising from the following sources:

- the impact of the translation of the statement of comprehensive income and net assets of subsidiaries with a functional currency other than pounds sterling;
- exchange differences recycled on disposal of foreign operations;
- exchange differences arising on the translation of net investments in a foreign operation where any subsidiary of the Group may have a receivable from or a payable to a foreign operation and settlement is neither planned nor likely; and
- exchange differences arising on hedging instruments that are designated hedges of a net investment in foreign operations, net of tax where applicable.

Capital redemption reserve

The capital redemption reserve is a non-distributable reserve and contained the nominal value of the shares re-purchased and cancelled.

Merger reserve

The merger reserve represented the excess of the fair value over the nominal value of shares issued by the Company to acquire at least 90% equity interest in an acquiree company. A purchaser company acquiring at least 90% equity interest in an acquiree company under an arrangement, which provides for the allotment of equity shares by the purchaser in return for the equity interest in the acquiree must apply Section 612 of the Companies Act 2006. When applicable, the section required that the premium on the issue of equity shares by the purchaser company be disregarded. Accordingly, the Company did not record a premium on the shares issued but recognised a merger reserve in the consolidated statement of financial position.

32. Non-controlling interests

	2011 £'m	2010 £'m
At 1 January	**0.1**	0.1
Repurchase of non-controlling interests	**(0.1)**	–
At 31 December	**–**	0.1

33. Reconciliation of operating profit to cash generated from operations

	2011 £'m	2010 £'m
Operating profit from operations	**54.5**	210.6
Adjustments for:		
Share-based payment expense	**7.0**	12.1
Depreciation of property, plant and equipment	**46.6**	42.7
Loss on disposal of non-current assets	**0.8**	2.5
Net movement in provision for impairment of trade receivables	**(0.3)**	–
Loss on sale of subsidiaries and disposed of/held-for-sale businesses	**–**	1.7
Unrealised foreign exchange differences	**(2.8)**	–
Government grant income	**(2.6)**	–
Amortisation of intangible assets	**72.8**	74.9
Non-cash element of expense for defined benefit plans	**(17.6)**	(7.1)
	103.9	126.8
Net movements in provisions	**70.7**	(52.7)
Movements in working capital:		
Financial assets	**–**	(0.1)
Inventories	**0.2**	0.1
Trade and other receivables	**(27.7)**	(116.1)
Trade and other payables	**3.7**	59.9
	(23.8)	(56.2)
Cash generated from operations	**205.3**	228.5
Add back: Cash outflow related to restructuring and integration activities	**18.4**	36.8
Add back: Cash outflow related to business acquired/disposed of	**2.7**	4.8
Net cash inflow from trading operations	**226.4**	270.1

34. Acquisitions

On 24 May 2011 Logica acquired Grupo Gesfor S.A. ('Gesfor'), a privately held Spanish consulting and professional services business. Gesfor has around 1,200 employees and operations in Spain and across Latin America. Gesfor had combined revenues of €64 million for the year ended 31 December 2010. Logica invested €23.4 million (£20.4 million) in cash to acquire these businesses and recognised goodwill of €15.7 million (£13.6 million). A further payment of up to €7.5 million will be payable in 2013 depending on future business performance. If it is payable, it will be part of net operating costs.

Full IFRS 3 'Business combinations' disclosures have not been added on the grounds of materiality.

35. Share-based payment

Equity-settled share-based payment arrangements

The Group operates the following equity-settled share-based payment arrangements: the Restricted Stock Award (RSA), the Restricted Share Plan (RSP), the Logica Partners Incentive Plan (PIP), the Logica Partners Performance Multiplier Plan (PPMP), the Long Term Incentive Plan (LTIP), the Sharesave Plans (International and UK approved) (SAYE), the Deferred Investment Share Plan (DISP), the Employee Share Match Plan (ESMP) and the Share Option Plan (SOP) and two further plans, the Executive Share Option Scheme (ESOS) and the Executive Equity Partnership Plan (ExEPP). Under the latter two plans, no further grants will be made as their ten-year award cycle has come to an end, but under which executives still have current awards. A summary of the main terms of the arrangements is given below, with particular reference to the terms of those grants for which a share-based payment expense has been recognised.

Restricted Stock Award

On commencement of employment, in compensation for forfeited incentives, Andy Green received a restricted share award of 2,110,967 ordinary shares to vest over a period of four consecutive years from commencement of employment. The number of shares that vest at each tranche will be increased by reference to dividends paid on shares between the grant date and the vesting date. The shares are released in tranches at the end of March in each of the four years and vest immediately provided he is still employed by the Group on the vesting date. The final tranche vested in March 2011.

35. Share-based payment
(continued)

Restricted Share Plan
The Restricted Share Plan is used to reward executives below Board level, for new hires and for retention purposes. Prior to 2010 Logica made one-off awards (for recruitment and/or retention) on a bespoke basis without having an underlying framework set of rules to support them. The RSP is used in connection with the recruitment of senior employees where it is sometimes necessary to compensate for the value of share-based awards forfeited on cessation of employment with previous employers and/or to offer a joining grant or to support the retention of critical employees (with awards being satisfied by market purchase shares).

Partners Incentive Plan
The PIP is a discretionary benefit offered by the Group for the benefit of its senior employees. This plan has largely replaced the LTIP. The value of the award is based on an 'annual pool' determined by reference to profit performance. Selected employees ('Partners') are awarded point allocations in connection with a 'pool year', these points are then converted into conditional awards of deferred 'free' shares following the determination of the annual pool. The annual pool is determined by the level of profit before tax achieved. The conditional awards vest three years from grant subject to continued employment but are not subject to performance conditions. The PIP rewards service in the year prior to grant as the 'pool year' on which the awards are based precedes the year of grant. A share-based payment charge is recognised from the start of the 'pool year' rather than from date of grant.

Partners Performance Multiplier Plan
The PPMP is also a discretionary benefit offered by the Group to its most senior employees. The PPMP has the potential to reward the most senior employees with an additional award of up to twice the number of deferred shares awarded under the PIP. PPMP awards will ordinarily vest at the same time as the deferred share awards granted under the PIP (i.e. three years from grant/4.25 years from commencement of service condition and the 'pool year') subject to continued employment and to the extent that the performance conditions attached to the awards have been achieved. The PPMP is conditional on a measure of EPS performance for grants prior to 2010, but subsequent grants are conditional on Adjusted Profit Before Tax (APBT) per share performance. The PPMP rewards service in the year prior to grant as the 'pool year' on which the awards are based precedes the year of grant. A share-based payment charge is recognised from the start of the 'pool year' rather than from date of grant.

Long Term Incentive Plan
The LTIP is a discretionary benefit offered by the Group for the benefit of its senior employees, as well as to staff with high potential or to recognise significant achievements. An award under the LTIP may be granted as a conditional allocation, a nil (or nominal) cost option with a short exercise window or as forfeitable shares. Cash-based awards of an equivalent value to share-based awards may also be granted or cash-based payments may be used to satisfy an award originally made in shares (either in whole or part), although the Remuneration Committee does not currently intend to do so. The maximum market value of ordinary shares in the Company subject to LTIP awards granted to any employee in any financial year will not exceed 200% of that employee's base salary. The intention initially is not to exceed 150% of salary.

For awards prior to 2010, the performance condition attached to one half of an award requires annual earnings per share growth to exceed the growth in the Retail Price Index by between 3% and 7% per annum over three financial years for between 30% and 100% of this half of the award to vest (i.e. between 15% and 50% of the total award). The performance condition attached to the other half of an award measures the Total Shareholder Return performance (TSR) of Logica over a single three-year performance period against a number of other companies 30% of this half of the award will vest if the Company is ranked in the median at the end of the performance period, with 100% of this half of the award vesting if Logica is at or above the upper quartile. For grants made in 2010 there is no requirement to exceed RPI. For grants made from 2010 the EPS measure has been replaced by a measure based on APBT growth per share. From 2010 onwards the TSR comparator Group is the entire FTSE 350 excluding investment trusts and financial service companies. The Remuneration Committee intends to review the performance conditions each year to ensure that they remain suitable and reflect the ongoing market.

Sharesave Plans
The Group operates UK and International savings-related share option plans under which employees agree to save a fixed monthly sum for a three year period. The price at which share options are granted is the average mid-market price of a Logica share on five business days prior to the invitation to apply to join the plan to which a discount of 20% has been applied. The aggregate exercise price payable is equal to the expected proceeds on maturity of the savings contract. Share options may be exercised six months following the vesting date. There are no performance conditions attached to Sharesave Plans.

35. Share-based payment
(continued)

Employee Share Match Plan/Deferred Investment Share Plan

The Group operates an equity participation plan for Executive Directors and EC Members, the Deferred Investment Share Plan (DISP), this was formerly known as the Executive Equity Participation Plan (ExEPP 2006). In certain countries the Group also operates an equity partnership plan open to all employees (the ESMP), this was formerly known as the Employee Equity Partnership Plan (EmEPP). The terms of both plans are similar. Under the equity share match plans, employees make an investment in the Company's shares, subject to financial limits, which must be maintained over a three-year vesting period. Shares will vest under the DISP if a performance condition is met and under the DISP and ESMP if the participant is still employed at the vesting date.

Under the DISP, Executive Directors and EC Members, in any one year, are required to invest a minimum of their gross bonus, and may invest in shares up to a maximum of 25% of gross bonus paid. These lodged shares will be matched on a 1:1 basis (the Matching Award). Matching Award shares will be released as soon as practicable after the third anniversary of the award, subject to the stretching performance conditions having been met. The performance conditions in respect of the DISP have the same criteria as the Company's LTIP performance conditions described above.

Awards made since 2008 under the ESMP do not carry a performance condition. Awards of a matching number of shares are made at nil cost to employees and are exercisable for up to a maximum of seven years after the vesting date, after which the award will lapse.

Although no further awards will be made under the ExEPP there remain outstanding awards which have yet to be exercised. This plan was operated for senior executives as an equity-based investment plan subject to financial limits and the investment being maintained over a three-year vesting period. Vesting will occur for those executives employed at the vesting date subject to a performance condition based on growth in the Group's earnings per share exceeding the growth in the Retail Price Index by between 3% and 7% per annum. The exercise period for the ExEPP runs for seven years from the maturity date.

Share Option Plan

At the Company's AGM in 2006 shareholders approved the implementation of the Share Option Plan, formerly known as the Executive Share Option Plan 2006 (ESOP 2006). This plan was introduced to allow awards to be made to senior executives working in jurisdictions where it would be inappropriate to make an award under the LTIP. It is anticipated that performance conditions attached to any SOP awards will have the same criteria as the LTIP noted above. As yet, no awards have been made under this plan.

Executive Share Option Scheme

No new option grants will be made under the ESOS, although options made under previous grants to senior executives and managers across the Group remain outstanding. Options are normally exercisable between three and 10 years following grant, provided that a performance condition, specified at the date of grant, has been satisfied. Typically, growth in the Group's earnings per share over the relevant three-year performance period is required to exceed the growth in the Retail Prices Index by at least 21% for the performance condition to be met.

ESOS option grants prior to 2005 have a maximum seven-year exercise period, while the exercise period for option grants in 2005 and 2006 is four years. All ESOS awards have vested.

The exercise price of ESOS options is generally at least equal to the closing mid-market price of the Company's shares on the date of grant, although the pricing mechanism varies slightly for grants to French employees.

US Stock Purchase Plan

US-based employees are eligible to participate in a tax-favourable share purchase plan. They may save up to a maximum of $2,000 per annum, the savings being used to buy shares at quarterly intervals. Logica North America contributes an additional 15% to the amount saved per employee. US-based employees are not eligible to participate in the Sharesave Plans or the ESMP.

Insight (formerly Unilog plan)

Managers in France who are eligible to participate in the Insight fund may annually choose to invest all or part of their bonus into this fund. Logica France contributes 50% of the bonus invested by the employee to a maximum of €4,000 per annum. The Insight fund currently invests 100% of its capital in Logica shares and is managed by an external fund manager appointed by Logica France.

35. Share-based payment
(continued)

French Savings Plan

A Plan d'Epargne d'Enterprise (P.E.E) is operated for those employees in France not covered by the Insight plan above. There is a maximum individual investment amount per year, to which Logica adds an amount equivalent to the amount of employer social charges saved. The funds are invested for a period of five years and are exempt from tax. The funds are managed by CIC Bank and are invested in shares.

A reconciliation of the movement in the number of share options and share awards outstanding is shown below:

	2011 Group			2011 Company		
	Share options		Share awards	Share options		Share awards
	Number of shares	Weighted average exercise price £	Number of shares	Number of shares	Weighted average exercise price £	Number of shares
Outstanding at 1 January	**36,024,127**	**1.13**	**39,715,824**	**1,068,233**	**1.75**	**6,926,813**
Provisional award*	**–**	**–**	**(8,772,354)**	**–**	**–**	**(1,441,231)**
Granted	**3,017,965**	**1.14**	**15,118,415**	**2,850**	**1.14**	**2,620,581**
Provisional award*	**–**	**–**	**13,100,509**	**–**	**–**	**2,205,210**
Transfers in	**–**	**–**	**–**	**85,327**	**1.59**	**213,145**
Exercised	**(4,124,122)**	**0.88**	**(6,773,226)**	**(3,840)**	**0.90**	**(1,118,764)**
Forfeited	**(632,884)**	**0.91**	**(2,744,841)**	**–**	**–**	**–**
Expired	**(5,276,115)**	**1.72**	**(1,952,701)**	**(26,594)**	**5.25**	**(749,999)**
Outstanding at 31 December	**29,008,971**	**1.06**	**47,691,626**	**1,125,976**	**1.66**	**8,655,755**
Exercisable at 31 December	**10,995,379**	**1.66**	**346,395**	**1,109,257**	**1.67**	**557**

	2010 Group			2010 Company		
	Share options		Share awards	Share options		Share awards
	Number of shares	Weighted average exercise price £	Number of shares	Number of shares	Weighted average exercise price £	Number of shares
Outstanding at 1 January	36,032,002	1.02	32,065,950	1,078,433	1.99	6,105,106
Provisional award*	–	–	(1,148,850)	–	–	(257,816)
Granted	5,527,609	0.96	6,860,624	3,025	0.96	909,058
Provisional award*	–	–	8,772,354	–	–	1,441,231
Transfers out	–	–	–	3,840	0.90	354
Exercised	(355,187)	0.86	(2,042,708)	–	–	(816,263)
Forfeited	(1,134,795)	1.03	(1,367,915)	–	–	–
Expired	(4,045,502)	2.63	(3,423,631)	(17,065)	16.26	(454,857)
Outstanding at 31 December	36,024,127	1.13	39,715,824	1,068,233	1.75	6,926,813
Exercisable at 31 December	13,457,254	1.81	262,848	1,046,684	1.78	203

* Provisional awards were included in 2011 and 2010. These awards have service conditions relating to 2011 and 2010 but the grants do not take place until the year following the commencement of the service condition. As a result there is a share-based payment charge during the year of service and prior to grant. In the above analysis these provisional awards are reflected in the year of service and are reversed in the year they are replaced by the actual grant.

35. Share-based payment
(continued)

The weighted average share price at the date of exercise of share options exercised during the year ended 31 December 2011 was £1.26 (2010: £1.24).

The Group table shows share options and awards to employees of Logica plc (the Company) and its subsidiaries. The Company table shows options and awards to employees of the Company only. The exercise price and remaining contractual life of share options outstanding at the end of the reporting period was as follows:

	2011 Group			2011 Company		
Range of exercise prices	**Weighted average exercise price £**	**Weighted average remaining contractual life Years**	**Number of shares**	**Weighted average exercise price £**	**Weighted average remaining contractual life Years**	**Number of shares**
Less than £1.00	**0.67**	**1.11**	**15,097,838**	**0.63**	**1.02**	**13,869**
£1.00 to £1.99	**1.43**	**1.09**	**12,108,454**	**1.36**	**0.49**	**770,797**
£2.00 to £4.99	**2.38**	**1.73**	**1,802,679**	**2.38**	**1.70**	**341,310**
	1.06	**1.14**	**29,008,971**	**1.66**	**0.86**	**1,125,976**

	2010 Group			2010 Company		
Range of exercise prices	Weighted average exercise price £	Weighted average remaining contractual life Years	Number of shares	Weighted average exercise price £	Weighted average remaining contractual life Years	Number of shares
Less than £1.00	0.73	1.78	22,562,042	0.73	1.58	21,549
£1.00 to £1.99	1.51	1.49	10,523,109	1.33	1.50	682,620
£2.00 to £4.99	2.38	2.72	2,589,965	2.38	2.70	341,310
£5.00 to £9.99	5.99	0.70	326,262	5.99	0.70	22,754
£10.00 or more	12.13	0.20	22,749	–	–	–
	1.13	1.75	36,024,127	1.75	1.87	1,068,233

The fair value of share options and share awards granted in the 2011 and 2010 financial years and the assumptions used in the calculation of their fair value on the date of grant were as follows:

	2011						
	Share awards						Share options
Weighted average assumption	**LTIP**	**ESMP**	**DISP**	**PPMP**	**PIP**	**RSP**	**SAYE**
Share price on date of grant (£)	**0.93**	**1.38**	**1.34**	**1.34**	**1.34**	**0.88**	**1.38**
Exercise price (£)	**–**	**–**	**–**	**–**	**–**	**–**	**1.14**
Grants in year – Group	**1,210,161**	**161,766**	**631,311**	**2,969,890**	**4,970,658**	**5,174,629**	**3,017,965**
Grants in year – Company	**659,642**	**281**	**261,253**	**844,074**	**422,037**	**433,294**	**2,850**
Vesting period (years)	**2.8**	**3.0**	**3.0**	**3.3**	**3.3**	**2.1**	**3.0**
Expected volatility (%)	**40.4**	**–**	**40.8**	**–**	**–**	**–**	**40.0**
Expected life (years)	**2.8**	**3.0**	**3.0**	**3.3**	**3.3**	**2.1**	**3.3**
Risk-free rate (%)	**0.9**	**–**	**1.4**	**–**	**–**	**–**	**1.5**
Dividend yield (%)	**4.2**	**3.0**	**3.2**	**3.2**	**3.2**	**4.8**	**3.0**
Fair value per option/award (£)	**0.72**	**1.26**	**1.03**	**1.21**	**1.21**	**0.79**	**0.42**

35. Share-based payment
(continued)

Weighted average assumption	2010 Share awards LTIP	ESMP	DISP	PPMP	PIP	RSP	Share options SAYE
Share price on date of grant (£)	1.30	1.37	1.34	1.34	1.34	1.30	1.37
Exercise price (£)	–	–	–	–	–	–	0.96
Grants in year – Group	567,673	461,363	671,952	843,846	1,410,958	2,904,832	5,527,609
Grants in year – Company	247,673	–	306,158	236,818	118,409	–	3,025
Vesting period (years)	3.0	3.0	3.0	3.3	3.3	2.8	3.0
Expected volatility (%)	43.4	–	43.8	–	–	–	42.8
Expected life (years)	3.0	3.0	3.0	3.3	3.3	2.8	3.3
Risk-free rate (%)	1.8	–	2.5	–	–	–	1.9
Dividend yield (%)	3.0	2.4	2.5	2.5	2.5	2.9	2.4
Fair value per option/award (£)	1.01	1.27	1.08	1.24	1.24	1.20	0.53

Provisional awards

The PIP and the PPMP both reward service in the periods prior to grant as the 'pool year' on which the awards are based precedes the year of grant. For 2011 and 2010 a share-based payment charge has been included for service from 1 January 2011 and 2010 respectively. As the grants do not occur until after the end of the reporting period these awards are included as provisional awards.

Weighted average assumption	**2011 PPMP**	**2011 PIP**	2010 PPMP	2010 PIP
Share price on date of grant (£)	**0.62**	**0.62**	1.31	1.31
Provisional award – Group	**4,990,209**	**8,110,300**	3,047,797	5,724,557
Provisional award – Company	**1,470,140**	**735,070**	960,821	480,410
Vesting period (years)	**4.25**	**4.25**	4.25	4.25
Expected life (years)	**4.25**	**4.25**	4.25	4.25
Fair value per option/award (£)	**0.57**	**0.57**	1.22	1.22

The fair values of LTIP and RSA grants were measured using a Monte Carlo simulation model and the fair value of Sharesave Plan options was measured using the Black-Scholes option pricing model. The fair values of share awards under the DISP, ESMP, PPMP and PIP were measured at the market share price at the date of grant reduced for the present value of expected dividends over the vesting period, for which award holders have no entitlement. The fair values of the provisional share awards under the PIP and PPMP were measured as the market share price at 31 December 2011 and 2010 applying the same ratio of fair value to market price as used for the grants during 2011 and 2010.

Expected volatility was determined using the historical volatility of the Company's share price over a period commensurate with the expected life of the share option. The period from 1 July 1999 to 30 June 2001 was excluded as management believe it represented a period of high share price volatility which is unlikely to be repeated in the future.

Share awards under the DISP, ESMP, PPMP and PIP are assumed to be exercised on the vesting date. Sharesave options are assumed to be exercised three months after the vesting date, the mid-point of the contractual exercise period.

At the date of grant, it is assumed that performance conditions will be met in full. Adjustments are made subsequently to the number of shares expected to vest, to reflect updated assessments of whether performance conditions will be met and the final determination on the vesting date. The share-based payment expense also takes account of expected forfeiture from the end of the reporting period to the end of the vesting period following cessation of employment. A weighted average forfeiture rate of 8% per annum was assumed for calculating the share-based payment expense for the year ended 31 December 2011 (2010: 9%).

For exercises prior to the vesting date, the additional expense between the calculation date and the vesting date is immediately charged to the statement of comprehensive income.

The Group and the Company recognised a total expense in respect of equity-settled share-based payment arrangements of £9.2 million and £1.4 million (2010: £9.4 million and £1.3 million) respectively.

Cash-settled share-based payment arrangements

As part of the PIP and RSP plans employees receive a cash amount on vesting equivalent to the dividends that would have been paid during the vesting period. These dividend equivalents are treated as cash-settled share-based payment arrangements for accounting purposes. Social security obligations arising on share option and share award plans are also treated as cash-settled share-based payment arrangements for accounting purposes.

For the Group, the liability for cash-settled share-based social security payments and dividend equivalents at 31 December 2011 was £3.7 million (2010: £5.8 million). The movement in the liability resulted in an income for the year ended 31 December 2011 of £2.2 million (2010: charge £2.7 million).

For the Company, the liability for cash-settled share-based social security payments and dividend equivalents at 31 December 2011 was £0.4 million (2010: £0.8 million). The movement in the liability resulted in income for the year ended 31 December 2011 of £0.4 million (2010: charge £0.3 million).

36. Retirement benefit schemes

Defined contribution schemes

The Group operates a number of voluntary pension schemes of the defined contribution type in the UK and overseas, under which contributions are paid by Group undertakings. In some countries, contributions are made into state pension schemes. The pension cost charge for defined contribution schemes amounted to £145.0 million (2010: £133.7 million).

In Sweden, the Group contributed to the Alecta SE pension scheme which is a defined benefit pension scheme. This pension scheme was classified as a defined contribution scheme as it is a multi-employer plan and sufficient information is not available to bifurcate the assets of the plan between the various employers. Any surplus or deficit in the plan will affect the amount of future contributions payable. Alecta used a collective funding ratio to determine the surplus or deficit in the pension scheme. The collective funding is the difference between Alecta's assets and the commitments to the policyholders and insured individuals. The collective solvency is normally allowed to vary between 125% and 155%, with the target being 140%. At 31 December 2011, Alecta's collective funding ratio was 126% (2010: 167%). Contributions of SEK 199.6 million were made during the year (2010: SEK 201.0 million).

Defined benefit schemes

The Group operates defined benefit pension schemes primarily for the benefit of employees in the UK and the Netherlands, with smaller schemes in other European countries and the US. The larger schemes are funded schemes but there are unfunded schemes in France and Sweden. Defined benefit schemes are usually funded by contributions from the employing companies, and in some cases also employees, to meet the costs, at rates assessed by the actuary or insurer of each scheme, in regular funding reviews. The schemes' assets are held in funds separate from those of the Group. Scheme benefits typically provide for a pension in retirement based on years of qualifying service and final pensionable salary.

The main schemes in the UK and the Netherlands are subject to independent valuations at least every three years, on the basis of which the qualified actuary certifies the rate of employer contributions which, together with the specified contributions payable by the employees and proceeds from the scheme's assets, are expected to be sufficient to fund the benefits payable under the schemes. The results of the latest full actuarial valuations, for funding purposes, for the main schemes are set out below:

CMG Netherlands Scheme – last full actuarial valuation at 31 December 2010

The Scheme closed to new entrants on 1 July 1994. A full member by member actuarial valuation was carried out as at 31 December 2010. The valuation indicated a surplus of €43.5 million. Following a vote by members in March 2011 the scheme was closed to future salary accrual. The change was backdated to 1 January 2011. During 2011 the Group has had discussions with a number of third parties on reinsuring the pension obligations relating to this scheme and expects to conclude these discussions during 2012.

Logica Defined Benefit Pension Plan – last full actuarial valuation at 30 June 2008

Based on the assumptions adopted in the Statement of Funding Principles the Plan had a deficit of £1.25 million. The Group made a one-off deficit repair contribution of £1.6 million in September 2009.

LogicaCMG UK Pension and Life Assurance Scheme – last full actuarial valuation at 31 December 2009

A funding valuation was concluded during the reporting period which reported a deficit of £0.9 million. A recovery plan has been agreed to remove the deficit over a five year period from 1 January 2011 to 31 December 2015 by making annual payments of £0.2 million.

CMG UK Pension Scheme – last full actuarial valuation at 30 June 2010

The Scheme has been closed to new entrants since 2001 and was closed to accrual on 30 April 2010. A new funding valuation was concluded during the reporting period and based on the assumptions adopted in the Statement of Funding Principles the Scheme had a deficit of £47.3 million, the previous valuation had recorded a deficit of £23.0 million. The Group has agreed a revised recovery plan with the Trustees and will pay £7.2 million annually for a period of 5 years and 9 months from 1 July 2011 to 31 March 2017. As part of the funding valuation some of the assumptions have been changed to use the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). The effect of this change has been to reduce the scheme liabilities by £29.0 million as at 31 December 2011. This change is reflected as part of the actuarial gain recognised within Other Comprehensive Income.

To meet the requirements of IAS 19, valuations for plan assets, reimbursement rights and defined benefit obligations were carried out at 31 December 2011 by qualified actuaries. The present value of the defined benefit obligation, and the related current and past service cost, were measured using the projected unit credit method.

36. Retirement benefit schemes
(continued)

The weighted average principal actuarial assumptions used at the end of the reporting period were as follows:

	UK schemes		Overseas schemes	
	2011	2010	**2011**	2010
Discount rate (%)	**4.9**	5.4	**4.7**	5.1
Average life expectancy for 65-year-old male (years)	**23**	23	**21**	21
Average life expectancy for 65-year-old female (years)	**25**	25	**24**	24
Expected return on plan assets (%)	**4.9**	5.9	**3.7**	3.8
Expected return on reimbursement rights (%)	**–**	–	**4.0**	4.0
General salary increases (%)	**3.0**	3.5	**2.0**	2.3
Rate of increase of pensions in payment (%)	**3.0**	3.5	**2.0**	0.3
Inflation (%)	**3.0**	3.5	**2.0**	2.3

The Group's principal defined benefit schemes are in the UK and in the Netherlands. In the Netherlands the mortality table used for the year ended 31 December 2011 was the GBM/V 2010-2060 tables + 1 year age rating (2010: 2000-2005 + 2 year age rating). In the UK the mortality assumption used was 110% PNMA00 (year of birth) with future improvements in line with the long cohort projections and a minimum rate of future improvement of 1% (2010: 110% PNXA00 (year of birth) with future improvements in line with the long cohort projections and a minimum rate of future improvement of 1%).

The amounts recognised in the statement of comprehensive income for defined benefit schemes were as follows:

	2011		
	UK schemes £'m	**Overseas schemes £'m**	**All schemes £'m**
Current service cost	**0.7**	**3.8**	**4.5**
Past service cost	**0.1**	**–**	**0.1**
Curtailment gain	**–**	**(10.5)**	**(10.5)**
Interest cost	**14.9**	**11.3**	**26.2**
Expected return on plan assets	**(12.6)**	**(10.0)**	**(22.6)**
Expected return on reimbursement rights	**–**	**(0.5)**	**(0.5)**
	3.1	**(5.9)**	**(2.8)**
Presented as:			
Employee benefits expense	**0.8**	**(6.7)**	**(5.9)**
Finance costs	**2.3**	**0.8**	**3.1**
	3.1	**(5.9)**	**(2.8)**

	2010		
	UK schemes £'m	Overseas schemes £'m	All schemes £'m
Current service cost	2.8	6.7	9.5
Past service cost	0.1	–	0.1
Curtailment (gain)/loss	0.1	(0.2)	(0.1)
Interest cost	13.8	11.6	25.4
Expected return on plan assets	(13.2)	(9.2)	(22.4)
Expected return on reimbursement rights	–	(0.5)	(0.5)
	3.6	8.4	12.0
Presented as:			
Employee benefits expense	3.0	6.5	9.5
Finance costs	0.6	1.9	2.5
	3.6	8.4	12.0

The actual return on plan assets for UK schemes was a £19.5 million gain (2010: £23.4 million) and for overseas schemes was a £29.7 million gain (2010: £27.7 million gain). The actual return on reimbursement rights for overseas schemes was a £0.5 million gain (2010: £0.1 million).

36. Retirement benefit schemes
(continued)

The amounts recognised in the statement of comprehensive income were as follows:

	2011 UK schemes £'m	2011 Overseas schemes £'m	2011 All schemes £'m
Actuarial gains/(losses)	**27.2**	**(0.5)**	**26.7**

	2010 UK schemes £'m	2010 Overseas schemes £'m	2010 All schemes £'m
Actuarial gains/(losses)	(14.4)	11.3	(3.1)

Actuarial gains and losses have been recognised in full in the statement of comprehensive income. The cumulative amount of actuarial gains/losses recognised through the statement of comprehensive income at 31 December 2011 was £13.4 million gain (2010: £13.3 million loss).

The amounts included in the statement of financial position in respect of the Group's defined benefit schemes were as follows:

	2011 UK schemes £'m	2011 Overseas schemes £'m	2011 All schemes £'m
Present value of defined benefit obligations	**(268.2)**	**(250.0)**	**(518.2)**
Fair value of scheme assets	**255.0**	**245.8**	**500.8**
Deficit in the schemes	**(13.2)**	**(4.2)**	**(17.4)**
Past service cost not yet recognised	**–**	**0.1**	**0.1**
Fair value of reimbursement rights	**–**	**12.4**	**12.4**
Net asset/(liability) recognised in the statement of financial position	**(13.2)**	**8.3**	**(4.9)**
Presented as:			
Non-current financial assets	**–**	**12.4**	**12.4**
Retirement benefit assets	**3.7**	**48.7**	**52.4**
Retirement benefit liabilities	**(16.9)**	**(52.8)**	**(69.7)**
	(13.2)	**8.3**	**(4.9)**

	2010 UK schemes £'m	2010 Overseas schemes £'m	2010 All schemes £'m
Present value of defined benefit obligations	(278.8)	(236.9)	(515.7)
Fair value of scheme assets	233.5	225.6	459.1
Deficit in the schemes	(45.3)	(11.3)	(56.6)
Past service cost not yet recognised	–	0.1	0.1
Fair value of reimbursement rights	–	12.1	12.1
Net asset/(liability) recognised in the statement of financial position	(45.3)	0.9	(44.4)
Presented as:			
Financial assets	–	12.1	12.1
Retirement benefit assets	1.5	37.2	38.7
Retirement benefit liabilities	(46.8)	(48.4)	(95.2)
	(45.3)	0.9	(44.4)

Insurance policies taken out to fund retirement benefit schemes that do not qualify as plan assets are presented as reimbursement rights within non-current financial assets. Such policies fund pension schemes in Germany and a life assurance scheme in the US.

36. Retirement benefit schemes
(continued)

The following tables present a reconciliation of the movements in the defined benefit obligation between the beginning and end of the financial year, and an analysis of the defined benefit obligation between unfunded schemes and those schemes that are partly or wholly funded:

Defined benefit obligation	**2011** UK schemes £'m	Overseas schemes £'m	All schemes £'m
At 1 January	**(278.8)**	**(236.9)**	**(515.7)**
Current service cost	**(0.7)**	**(3.8)**	**(4.5)**
Past service cost	**(0.1)**	**–**	**(0.1)**
Curtailment gain	**–**	**10.9**	**10.9**
Interest cost	**(14.9)**	**(11.3)**	**(26.2)**
Contributions from scheme members	**(0.1)**	**(0.4)**	**(0.5)**
Actuarial gains/(losses)	**20.3**	**(19.8)**	**0.5**
Benefits paid	**6.1**	**6.5**	**12.6**
Transfers	**–**	**(1.1)**	**(1.1)**
Exchange differences	**–**	**5.9**	**5.9**
At 31 December	**(268.2)**	**(250.0)**	**(518.2)**
Defined benefit obligation of unfunded schemes	**–**	**(19.9)**	**(19.9)**
Defined benefit obligation of funded schemes	**(268.2)**	**(230.1)**	**(498.3)**
At 31 December	**(268.2)**	**(250.0)**	**(518.2)**

Defined benefit obligation	2010 UK schemes £'m	Overseas schemes £'m	All schemes £'m
At 1 January 2010	(243.5)	(241.1)	(484.6)
Current service cost	(2.8)	(6.7)	(9.5)
Past service cost	(0.1)	–	(0.1)
Curtailment gain	(0.1)	0.2	0.1
Interest cost	(13.8)	(11.6)	(25.4)
Contributions from scheme members	(0.3)	(0.5)	(0.8)
Actuarial losses	(24.6)	(6.7)	(31.3)
Benefits paid	6.4	8.5	14.9
Plan dissolution	–	15.4	15.4
Exchange differences	–	5.6	5.6
At 31 December	(278.8)	(236.9)	(515.7)
Defined benefit obligation of unfunded schemes	–	(35.7)	(35.7)
Defined benefit obligation of funded schemes	(278.8)	(201.2)	(480.0)
At 31 December	(278.8)	(236.9)	(515.7)

36. Retirement benefit schemes (continued)

The following tables present a reconciliation of the movements in plan assets and reimbursement rights between the beginning and end of the financial year:

Plan assets and reimbursement rights	**2011** UK schemes £'m	Overseas schemes £'m	All schemes £'m
At 1 January	**233.5**	**237.7**	**471.2**
Expected return on assets	**12.6**	**10.5**	**23.1**
Contributions by employer	**8.0**	**2.6**	**10.6**
Contributions from scheme members	**0.1**	**0.4**	**0.1**
Actuarial gains	**6.9**	**19.2**	**26.1**
Benefits paid	**(6.1)**	**(6.5)**	**(12.6)**
Transfers	**–**	**(0.4)**	**(0.4)**
Exchange differences	**–**	**(5.3)**	**(5.3)**
At 31 December	**255.0**	**258.2**	**513.2**
Plan assets	**255.0**	**245.8**	**500.8**
Reimbursement rights	**–**	**12.4**	**12.4**
At 31 December	**255.0**	**258.2**	**513.2**

Plan assets and reimbursement rights	2010 UK schemes £'m	Overseas schemes £'m	All schemes £'m
At 1 January 2010	206.9	233.5	440.4
Expected return on assets	13.2	9.7	22.9
Contributions by employer	9.3	7.0	16.3
Contributions from scheme members	0.3	0.5	0.8
Actuarial gains/(losses)	10.2	18.0	28.2
Benefits paid	(6.4)	(8.5)	(14.9)
Transfers	–	(16.2)	(16.2)
Exchange differences	–	(6.3)	(6.3)
At 31 December 2010	233.5	237.7	471.2
Plan assets	233.5	225.6	459.1
Reimbursement rights	–	12.1	12.1
At 31 December 2010	233.5	237.7	471.2

The fair value of plan assets at the end of the reporting period is analysed below:

	2011 UK schemes £'m	Overseas schemes £'m	All schemes £'m
Equities	**83.0**	**2.8**	**85.8**
Government bonds	**79.1**	**163.6**	**242.7**
Corporate bonds	**77.0**	**5.8**	**82.8**
Property	**13.5**	**1.9**	**15.4**
Cash	**2.4**	**58.7**	**61.1**
Other	**–**	**13.0**	**13.0**
	255.0	**245.8**	**500.8**

36. Retirement benefit schemes
(continued)

	2010		
	UK schemes £'m	Overseas schemes £'m	All schemes £'m
Equities	86.3	1.7	88.0
Government bonds	65.2	196.4	261.6
Corporate bonds	68.2	21.2	89.4
Property	12.7	1.8	14.5
Cash	1.1	3.8	4.9
Other	–	12.8	12.8
	233.5	237.7	471.2

The expected rates of return on government bonds and corporate bonds is determined by reference to market yields at the end of the reporting period for bonds of a similar term to those held as plan assets. The expected rate of return on equities is determined by reference to real historical equity market returns. The overall expected rate of return on plan assets is calculated as a weighted average of the expected rates of return of individual asset classes. The weighted average is calculated by reference to the amount in each class of plan assets at the end of the reporting period. Plan assets do not include any ordinary shares of the Company or property occupied by, or other assets used by, the Group.

The history of the Group's defined benefit arrangements is as follows:

	UK schemes				
	2011 £'m	2010 £'m	2009 £'m	2008 £'m	2007 £'m
Present value of defined benefit obligation	**(268.2)**	(278.8)	(243.5)	(192.8)	(202.3)
Fair value of plan assets	**255.0**	233.5	206.9	177.9	189.3
Deficit	**(13.2)**	(45.3)	(36.6)	(14.9)	(13.0)
Experience gain/(loss) on plan liabilities	**1.8**	(1.8)	1.8	(1.0)	10.6
Experience gain/(loss) on plan assets	**8.9**	10.2	8.9	(29.9)	(1.6)

	Overseas schemes				
	2011 £'m	2010 £'m	2009 £'m	2008 £'m	2007 £'m
Present value of defined benefit obligation	**(250.0)**	(236.9)	(241.1)	(239.9)	(180.3)
Fair value of plan assets	**245.8**	225.6	221.3	253.5	154.6
(Deficit)/Surplus	**(4.2)**	(11.3)	(19.8)	13.6	(25.7)
Experience gain/(loss) on plan liabilities	**1.4**	17.2	1.4	2.6	5.5
Experience gain/(loss) on plan assets	**(20.6)**	18.0	(20.6)	32.3	(14.3)

The Group expects to contribute approximately £10.0 million (2010: £12.0 million) to defined benefit plans in 2012, of which £8.0 million (2010: £7.0 million) relates to UK schemes, including deficit funding of £7.4 million (2010: £6.0 million), and £2.0 million (2010: £5.0 million) relates to overseas schemes.

The assumed discount rate, rate of inflation, salary increases and mortality all have a significant effect on the accounting valuation. The following table shows the sensitivity of the valuation to changes in these assumptions:

	Increase in assumption %	**Impact on plan liabilities £'m**	**Decrease in assumption %**	**Impact on plan liabilities £'m**
Discount rate	**0.5**	**35.0**	**0.5**	**(40.0)**
Rate of inflation	**0.5**	**(19.9)**	**0.5**	**17.0**
Real rate of increase/(decrease) in salaries	**1.0**	**(2.2)**	**1.0**	**1.9**
One year increase/(decrease) to life expectancy	**–**	**(9.2)**	**–**	**9.2**

37. Related party transactions

Remuneration of key management personnel

The remuneration of the Directors of the Company and the Group's Executive Committee, who are the key management personnel of the Group, is set out below in aggregate for each of the categories required by IAS 24 'Related Party Disclosures'. Further information about the remuneration of individual Directors is disclosed in the Report of the Remuneration Committee on pages 69 to 89.

	2011 £'m	2010 £'m
Short-term employee benefits (including bonus)	**6.7**	6.3
Post-employment benefits	**0.4**	0.5
Termination benefits	**2.9**	–
Share-based payment	**1.8**	4.6
	11.8	11.4

The amount for share-based payment is that calculated in accordance with IFRS 2 'Share-based payment'.

38. Financial commitments

Operating lease commitments

At 31 December, the Group had commitments under non-cancellable operating leases, principally for offices, cars and computer equipment, as follows:

	2011		2010	
Future minimum lease payments payable	**Land and buildings £'m**	**Other £'m**	Land and buildings £'m	Other £'m
Within one year	**86.4**	**58.2**	90.9	48.0
Between two and five years	**233.3**	**69.2**	256.3	52.5
After five years	**108.5**	**1.0**	110.7	–
	428.2	**128.4**	457.9	100.5

The expense recognised in the statement of comprehensive income for payments under non-cancellable operating leases for the year ended 31 December 2011 was £146.1 million (2010: £147.9 million). At 31 December 2011, the total future minimum sub-lease payments expected to be received under non-cancellable sub-leases were £33.7 million (2010: £31.1 million).

Capital expenditure commitments

	2011		2010	
	Group £'m	**Associates £'m**	Group £'m	Associates £'m
Contracted at the end of the reporting period	**0.5**	**–**	–	–

39. Contingent liabilities

The size, structure and geographic spread of the Group and its activities naturally exposes it to potential scrutiny and possible legal claims including tax and other regulatory authorities in the normal course of operations. The results of tax audits and other similar enquiries are normally reflected in the accounts on an accruals basis where a recovery or liability can be predicted with reasonable certainty. Occasionally claims may be levied against the Group by such authorities, the outcomes of which cannot be predicted with reasonable certainty. While Logica strongly believes it complies with all relevant laws and regulations, and would vigorously defend itself against any such claims, if it was unsuccessful the enforcement of such claims could from time to time have a potentially material impact on the Group's results and financial position.

In 2009, the Group received a €59 million VAT claim from the French tax authorities. After €13 million tax relief received in 2011 this results in a net claim of €46 million. Interest continues to accrue on the claim amount.

The claim relates to the VAT treatment of goods exported from France during the years 2004 to 2006. The Group has carefully analysed these claims and obtained external experts' advice, as a result of which it considers that they are without merit and the Group is robustly contesting these claims through the appropriate channels. The initial ruling from the French courts is expected in the second quarter of 2012.

Any adverse judgement at the initial ruling may require Logica to make an interim settlement which it expects to do through a parent company or bank guarantee or in the form of a cash payment during the second quarter. In the event of such an adverse ruling, the Group intends to exercise its right to appeal. This would typically involve a protracted legal process.

Independent auditors' report to the members of Logica plc

We have audited the parent Company financial statements of Logica plc for the year ended 31 December 2011 which comprise the parent Company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Directors and auditors
As explained more fully in the Directors' responsibilities statement set out on page 68, the Directors are responsible for the preparation of the parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Logica plc annual report and accounts 2011 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the parent Company financial statements:
- give a true and fair view of the state of the Company's affairs as at 31 December 2011;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion:
- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' report for the financial year for which the parent Company financial statements are prepared is consistent with the parent Company financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter
We have reported separately on the Group financial statements of Logica plc for the year ended 31 December 2011.

Stephen Mount
(Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
12 March 2012

Company Balance Sheet

31 December 2011

	Note	2011 £'m	2010 £'m
Fixed assets			
Investments	V(a)	**1,417.2**	1,379.5
Current assets			
Debtors: amounts due within one year	VI	**578.1**	455.8
Cash at bank and in hand		**1.6**	0.7
		579.7	456.5
Creditors – amounts falling due within one year	VII (a)	**(2.4)**	(3.4)
Net current assets		**577.3**	453.1
Total assets less current liabilities		**1,994.5**	1,832.6
Creditors – amounts falling due after one year	VII (b)	**(297.3)**	(88.7)
Net assets		**1,697.2**	1,743.9
Capital and reserves			
Called-up equity share capital	IX, X	**161.2**	160.2
Share premium account	X	**1,110.6**	1,107.4
Profit and loss account	X	**393.7**	444.6
Capital redemption reserve	X	**8.4**	8.4
Other reserves	X	**23.3**	23.3
Equity shareholders' funds	XI	**1,697.2**	1,743.9

The Company financial statements on pages 144 to 150 were approved by the Board of Directors on 12 March 2012 and were signed on its behalf by:

Andy Green
Himanshu Raja
Directors

I. Accounting policies

The following are the principal accounting policies of the Company which have been applied consistently throughout the year and the preceding year.

Basis of accounting
The Company financial statements have been prepared on a going concern basis and under the historical cost convention, as modified by the revaluation of certain financial instruments and share based payments, and in accordance with the Companies Act 2006 and applicable UK accounting standards. The Company has taken advantage of an exemption available in FRS 1 'Cash Flow Statements' and has not prepared a cash flow statement.

Investments in subsidiaries
Investments in subsidiaries are accounted for at cost. Such investments include both investments in shares issued by the subsidiary and other parent entity interests that in substance form part of the parent entity's investment in the subsidiary. These include investments in the form of loans which have no fixed repayment terms and which have been provided to subsidiaries as an additional source of long-term capital. Trade amounts receivable from subsidiaries in the normal course of business and other amounts advanced on commercial terms and conditions are included in debtors. Investments in subsidiaries in the Company's balance sheet are held at cost less any accumulated impairment losses.

Financial instruments
The Company has taken advantage of the exemptions available in Financial Reporting Standard (FRS) 25 para 3(c)(b) and FRS 29 para 2(d) not to disclose any information relating to financial instruments as the Company's financial statements are included in publicly available consolidated financial statements.

The following policies for financial instruments have been applied in the preparation of the Company's financial statements:

Cash at bank and in hand
Cash at bank and in hand include deposits repayable on demand with any qualifying financial institution, less overdrafts from any qualifying financial institution repayable on demand if there is legal right to offset against positive cash balances. Deposits are repayable on demand if they can be withdrawn at any time without notice and without penalty or if a maturity or period of notice of not more than 24 hours or one working day has been agreed. Cash includes cash in hand and deposits denominated in foreign currencies.

Debtors
Debtors are stated at amounts receivable less any provision for recoverability. A debtor is derecognised from the balance sheet when the Company enters into a financing transaction which transfers to a third party all significant rights or other access to benefits relating to that asset, and all significant exposures to the risks inherent in that asset.

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated either at amortised cost or, if designated as such, at fair value through profit or loss. For borrowings stated at amortised cost, any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest rate method.

Taxation
Corporation tax is payable on taxable profits at amounts expected to be paid, or recovered, under the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised to take account of timing differences between the treatment of transactions for financial reporting purposes and their treatment for tax purposes. A deferred tax asset is only recognised when it is regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on the tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax is measured on a non-discounted basis.

Foreign currencies
The functional currency of the Company is pounds sterling. Transactions denominated in foreign currencies are translated into the functional currency of the Company at the rates prevailing at the dates of the individual transactions. Foreign currency monetary assets and liabilities are translated at the rates prevailing at the balance sheet date. Exchange gains and losses arising are charged or credited to the profit and loss account within net operating costs.

Employee benefits

Retirement benefits
The Company participates in retirement benefit plans of a defined contribution nature. The cost of defined contribution plans is charged to the profit and loss account on the basis of contributions payable by the Company during the year.

I. Accounting policies
(continued)

Share-based payment
The cost of share-based employee compensation arrangements, whereby employees receive remuneration in the form of shares or share options, is recognised as an employee benefit expense in the profit and loss account.

The total expense to be apportioned over the vesting period of the benefit is determined by reference to the fair value at the grant date of the shares or share options awarded and the number that are expected to vest. The assumptions underlying the number of awards expected to vest are subsequently adjusted to reflect conditions prevailing at the balance sheet date. At the vesting date of an award, the cumulative expense is adjusted to take account of the awards that actually vest.

Other employee benefits
A liability for other employee benefits, such as paid holiday, is recognised for the amount the Company may be required to pay as a result of the unused entitlement that has accumulated at the balance sheet date.

Employee share ownership trusts
Employee share ownership plan (ESOP) trusts, which purchase and hold ordinary shares of the Company in connection with certain employee share plans, are included in the Company financial statements. Any consideration paid or received by ESOP trusts for the purchase or sale of the Company's own shares is shown as a movement in shareholders' equity.

Dividends
Dividends to the Company's shareholders are recognised as a liability in the period in which they are declared. The interim dividend is recognised when it has been approved by the Board and the final dividend is recognised when it has been approved by the shareholders at the Annual General Meeting.

II. Profit attributable to the Company

As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the Company. The profit for the financial year for the Company was £18.6 million (2010: £24.8 million), which included a foreign exchange gain of £1.2 million (2010: £0.8 million).

III. Employees and Directors

Staff costs for the year amounted to:

	2011 £'m	2010 £'m
Salaries and other short-term employee benefits (including bonus)	**2.5**	3.0
Social security costs	**0.7**	0.6
Pension costs	**(0.3)**	0.1
Share-based payments (Note IX)	**1.4**	1.6
	4.3	5.3

The average monthly number of employees, including Directors, during the year ended 31 December 2011 was 14 (2010: 14). The number of employees including Directors, at 31 December 2011, based in the UK was 11 (2010: 11), 1 (2010: 1) was based in France, and 1 (2010: 1) was based in the US. For further information about the Directors of the Company, refer to the Directors' biographies on pages 48 to 53 and for details of Directors' emoluments and share interests refer to the report of the Remuneration Committee on pages 69 to 89.

IV. Dividends

The Directors are proposing a final dividend in respect of the year ended 31 December 2011 of 2.3 pence per share, which would reduce shareholders' funds by approximately £36.8 million. The proposed dividend is subject to approval at the AGM on 11 May 2012 and has not been recognised as a liability in these financial statements. The final dividend will be paid on 16 May 2012 to shareholders listed on the share register on 13 April 2012.

The amounts recognised as distributions to equity holders were as follows:

	2011 p/share	2010 p/share	**2011 £'m**	2010 £'m
Interim dividend	**2.10**	1.90	**33.6**	30.3
Final dividend	**2.30**	2.30	**36.6**	36.5
	4.40	4.20	**70.2**	66.8

Dividends payable to employee share ownership trusts are excluded from the amounts recognised as distributions in the table above.

V. Investments

(a) Investments in subsidiary undertakings

Cost	Shares £'m	Loans £'m	Total £'m
At 1 January 2011	870.2	515.6	1,385.8
Additions	–	33.4	33.4
Exchange differences	–	4.3	4.3
At 31 December 2011	**870.2**	**553.3**	**1,423.5**
Impairments			
At 1 January 2011	(6.3)	–	(6.3)
At 31 December 2011	**(6.3)**	**–**	**(6.3)**
Net book value			
At 31 December 2011	**863.9**	**553.3**	**1,417.2**
At 31 December 2010	863.9	515.6	1,379.5

The carrying value of investments in subsidiary undertakings is supported by the subsidiary undertakings' net asset value and financial support provided by fellow subsidiaries.

(b) Principal subsidiary undertakings

The Directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. A full list of subsidiary undertakings at 31 December 2011 will be annexed to the Company's next annual return. At 31 December 2011, the Company held, directly or indirectly, 100% (except where shown) of the ordinary issued share capital of the following principal subsidiary undertakings:

Incorporated in England:
Logica UK Limited
Logica IT Services UK Limited*

Incorporated in the Netherlands:
Logica Nederland BV*
Logica Holdings Nederland BV*
Logica Business Process Outsourcing BV*

Incorporated in Norway:
Logica Norge AS*

Incorporated in Finland:
Logica Suomi OY*

Incorporated in Denmark
Logica Danmark AS*

Incorporated in Australia:
Logica Australia Pty Limited*

Incorporated in the United States:
Logica North America Inc*

Incorporated in India:
Logica Private Limited*

Incorporated in Brazil:
Logica America do Sul Soluçoes de Technologica Ltda*
Logica Comércio e Serviçios de Informática Amércia do Sul Ltda

Incorporated in Sweden:
Logica AB*
Logica Sverige AB*
Logica Sverige Infrastructure Management AB*

Incorporated in the Czech Republic:
Logica Czech Republic Sro*

Incorporated in France:
Logica France SAS*

Incorporated in Belgium:
Logica Belgium NV/SA*

Incorporated in Portugal:
Logica TI Portugal SA*

Incorporated in Germany:
Logica Deutschland GmbH & Co KG*

* Subsidiaries not directly held by the Company.

VI. Debtors

	2011 £'m	2010 £'m
Amounts due from subsidiary undertakings	**573.3**	450.6
Deferred tax asset (Note VIII)	**2.5**	3.6
Corporation tax recoverable	**0.2**	0.2
Other debtors	**2.1**	1.4
	578.1	455.8

The Directors estimate that the carrying value of financial assets within debtors approximated their fair value. Amounts owed by Group undertakings are unsecured, repayable on demand and for amounts falling within formalised loan agreements, interest bearing.

Financial Statements

VII. Creditors

(a) Amounts falling due within one year

	2011 £'m	2010 £'m
Bank overdraft	**–**	0.7
Amounts due to subsidiary undertakings	**0.3**	0.3
Other creditors	**1.1**	–
Accruals	**1.0**	2.4
	2.4	3.4

(b) Amounts falling due after one year

Details on interest rates, maturities and repayments of the debt notes are disclosed in Note 25 of the consolidated financial statements.

The Directors estimate that the carrying value of financial liabilities within creditors approximated their fair value.

VIII. Deferred tax

The movement on the deferred tax asset during the year was as follows:

	£'m
At 1 January 2011	3.6
Charge to the profit and loss account	(1.1)
At 31 December 2011	**2.5**

IX. Share capital

Allotted, called-up and fully paid	2011 Number	2011 £'m	2010 Number	2010 £'m
At 1 January	**1,601,941,495**	**160.2**	1,600,615,806	160.0
Allotted under share plans	**10,032,071**	**1.0**	1,325,689	0.2
At 31 December	**1,611,973,566**	**161.2**	1,601,941,495	160.2

The Company has one class of issued share capital, comprising ordinary shares of 10p each. Subject to the Company's Articles of Association and applicable law, the Company's ordinary shares confer on the holder: the right to receive notice of and vote at general meetings of the Company; the right to receive any surplus assets on a winding-up of the Company; and an entitlement to receive any dividend declared on ordinary shares.

During the year 10,032,071 new ordinary shares, with a nominal value of £1,003,207 were issued under employee share plans as follows:

Year of grant of option	Exercise price p/share	Number exercised
2002	107.23	51,536
2008	–	5,870,690
2008	90.00	3,810,441
2009	54.00	243,987
2010	96.00	18,158
2010	–	23,368
2011	–	13,891

During the year 3,017,965 options were granted over un-issued and existing shares under employee share option plans at a price of 114p and are exercisable in 2014. Options granted under SAYE plans were granted at 20% below market price.

During the year, awards were made over 161,766 shares under the ESMP, 631,311 shares under the DISP, 1,210,161 shares under the LTIP, and provisional awards of 4,990,209 under the PPMP and 8,110,300 under the PIP. Disclosures related to Company's share-based payments arrangements are included in Note 35 of the consolidated financial statements.

At 31 December 2011, there were rights to the allotment of 43,733,807 (2010: 50,395,551) shares under employee share plans at prices ranging from 0p to 377p (2010: 0p to 598p), exercisable between 2012 and 2015.

The Company holds treasury shares in a discretionary trust which was set up for the benefit of Logica employees. The Trust purchases the Company's shares in the market for use in connection with the Group's discretionary share option plans and equity share match plans.

At 31 December 2011, the Trust owned 10,910,510 shares (2010: 11,807,522) with a nominal value of £1.1 million (2010: £1.2 million).

The trustees of the Logica ESOP Trust have agreed to waive the right to future dividends on ordinary shares held by the Trust except for a nominal amount. At 31 December 2011 and 2010, the nominal amount payable to the Trust was 0.001p per share. Waiver of dividends payable during the year amounted to £0.5 million (2010: £0.5 million). The market value of the shares owned by the Trust, based on the mid-market price at 31 December 2011 was £6.7 million (2010: £15.5 million).

X. Capital and reserves

	Share capital £'m	Share premium account £'m	Profit and loss account £'m	Treasury shares £'m	Capital redemption reserve £'m	Special reserve £'m	Total £'m
At 1 January 2010	160.0	1,107.1	520.5	(35.1)	8.4	23.3	1,784.2
Net profit for the year	–	–	24.8	–	–	–	24.8
Allotted under share plans	0.2	0.3	(0.1)	–	–	–	0.4
Dividends paid	–	–	(66.8)	–	–	–	(66.8)
Share-based payment	–	–	1.3	–	–	–	1.3
At 1 January 2011	160.2	1,107.4	479.7	(35.1)	8.4	23.3	1,743.9
Net profit for the year	–	–	18.6	–	–	–	18.6
Allotted under share plans	1.0	3.2	(0.6)	–	–	–	3.6
Dividends paid	–	–	(70.2)	–	–	–	(70.2)
Share-based payment	–	–	1.3	–	–	–	1.3
At 31 December 2011	**161.2**	**1,110.6**	**428.8**	**(35.1)**	**8.4**	**23.3**	**1,697.2**

Capital redemption reserve
The capital redemption reserve was a non-distributable reserve and contained the nominal value of the shares re-purchased and cancelled.

Treasury shares
Logica plc holds shares in the Logica ESOP Trust. The Trust was set up for the benefit of Logica employees. The Trust purchases the Company's shares in the market for use in connection with the Group's employee share plans. The amount shown in the Treasury Shares reserve at 31 December 2011, which related solely to shares purchased and disposed of by the Trust, would be deducted in determining the amount the Company had available for distribution at that date.

Special reserve
The special reserve represented the reduction of the share premium account following the High Court's agreement in 1988 and adjustment for fair value of the investment in subsidiary held for disposal.

XI. Reconciliation of movements in shareholders' funds

	2011 £'m	2010 £'m
Profit for the financial year	**18.6**	24.8
Dividends paid	**(70.2)**	(66.8)
	(51.6)	(42.0)
Other movements in reserves	**4.9**	1.7
Net decrease in shareholders' funds for the year	**(46.7)**	(40.3)
Total shareholders' funds at the beginning of the year	**1,743.9**	1,784.2
Total shareholders' funds at the end of the year	**1,697.2**	1,743.9

XII. Contingent liabilities

The Group's subsidiaries and the Company are currently, and may be from time to time, involved in a number of legal proceedings including inquiries from or discussions with governmental and taxation authorities. Whilst the outcome of current outstanding actions and claims remains uncertain, it is expected that they will be resolved without a material impact on the Group's financial position. The Company has guaranteed certain contracts in the normal course of business and bank borrowings of its subsidiaries.

XIII. Related party transactions

The Company has taken advantage of the exemption in FRS 8 'Related Party Transactions' from disclosing transactions with other members of the Group headed by Logica plc. Transactions with the Directors of the Company are disclosed in the Remuneration Committee report on pages 69 to 89. There were no other related party transactions during the current or prior year.

Euro translation of selected financial information (unaudited)

The Group has presented a translation of the consolidated statement of comprehensive income, statement of financial position and statement of cash flows into euros to assist users of the financial statements more familiar with that currency. The statement of comprehensive income and statement of cash flows in euros have been calculated by converting the consolidated sterling figures to euros at an average rate of €1.15 to £1 (2010: €1.17 to £1) except the opening and closing net cash balance in the statement of cash flow, which uses the same rates as used in the statement of financial position as mentioned below. The statement of financial position has been calculated by converting the pound sterling figures to euros at the closing rate of €1.20 to £1 (2010: €1.17 to £1).

Euro translation of consolidated statement of comprehensive income

For the year ended 31 December 2011

	2011 €'m	2010 €'m
Revenue	**4,509.5**	4,325.3
Net operating costs	**(4,446.8)**	(4,078.9)
Operating profit	**62.7**	246.4
Analysed as:		
Operating profit before exceptional items	**68.2**	248.4
Exceptional items	**(5.5)**	(2.0)
Operating profit	**62.7**	246.4
Finance costs	**(41.5)**	(31.8)
Finance income	**15.3**	10.4
Share of post-tax profits from associates	**1.2**	0.7
Profit before tax	**37.7**	225.7
Taxation	**(6.3)**	(47.7)
Net profit for the year	**31.4**	178.0
Other comprehensive income/(expense)		
Actuarial gains/(losses) on defined benefit schemes	**30.7**	(3.6)
Tax on items taken directly to equity	**(8.4)**	0.7
Cash flow hedges	**(3.7)**	–
Interest rate swaps fair value difference	**0.1**	(0.1)
Exchange differences on translation of foreign operations	**(62.1)**	13.3
Other comprehensive income/(expense) for the period, net of tax	**(43.4)**	10.3
Total comprehensive income/(expense) for the period	**(12.0)**	188.3
Profit attributable to:		
Owners of the parent	**31.4**	178.0
	31.4	178.0
Total comprehensive income/(expense) attributable to:		
Owners of the parent	**(12.0)**	188.3
	(12.0)	188.3
Earnings per share	**cents/share**	cents/share
– Basic	**2.0**	11.2
– Diluted	**2.0**	11.0

Financial Statements

Euro translation of consolidated statement of financial position (unaudited)

31 December 2011

See page 151 for basis of translation.

	2011 €'m	2010 €'m
Non-current assets		
Goodwill	**2,260.1**	2,230.6
Other intangible assets	**208.8**	234.8
Property, plant and equipment	**167.6**	162.0
Investments in associates	**3.2**	3.2
Financial assets	**49.7**	14.6
Retirement benefit assets	**62.9**	45.3
Deferred tax assets	**100.8**	82.3
	2,853.1	2,772.8
Current assets		
Inventories	**1.0**	1.2
Trade and other receivables	**1,514.4**	1,465.2
Current tax assets	**29.8**	13.3
Cash and cash equivalents	**107.4**	66.0
	1,652.6	1,545.7
Current liabilities		
Other borrowings	**(42.0)**	(239.1)
Trade and other payables	**(1,274.2)**	(1,243.0)
Current tax liabilities	**(107.3)**	(77.9)
Provisions	**(108.0)**	(34.4)
	(1,531.5)	(1,594.4)
Net current liabilities	**121.1**	(48.7)
Total assets less current liabilities	**2,974.2**	2,724.1
Non-current liabilities		
Borrowings	**(451.3)**	(154.8)
Retirement benefit obligations	**(83.6)**	(111.4)
Deferred tax liabilities	**(55.3)**	(71.5)
Provisions	**(57.2)**	(43.4)
Other non-current liabilities	**(7.0)**	(1.6)
	(654.4)	(382.7)
Net assets	**2,319.8**	2,341.4
Equity		
Share capital	**193.4**	187.4
Share premium account	**1,332.7**	1,295.7
Reserves	**793.7**	858.2
Total shareholders' equity	**2,319.8**	2,341.3
Non-controlling interests	**–**	0.1
Total equity	**2,319.8**	2,341.4

Euro translation of consolidated statement of cash flows (unaudited)

For the year ended 31 December 2011

See page 151 for basis of translation.

	2011 €'m	2010 €'m
Cash flows from operating activities		
Net cash inflow from trading operations	**260.4**	316.0
Cash outflow related to restructuring and integration activities	**(21.1)**	(43.1)
Cash outflow related to business acquired/disposed of	**(3.1)**	(5.6)
Cash generated from operations	**236.2**	267.3
Finance costs paid	**(24.7)**	(23.4)
Income tax paid	**(41.8)**	(59.6)
Net cash inflow from operating activities	**169.7**	184.3
Cash flows from investing activities		
Finance income received	**7.8**	4.4
Dividends received from associates	**1.2**	0.5
Proceeds on disposal of property, plant and equipment	**0.3**	0.2
Purchases of property, plant and equipment	**(57.2)**	(53.5)
Expenditure on intangible assets	**(33.6)**	(33.7)
Purchase of non-controlling interests	**(0.1)**	–
Acquisition of subsidiaries and other businesses, net of cash acquired	**(19.2)**	(10.4)
Proceeds on disposal of subsidiaries and other businesses, net of cash disposed	**–**	3.7
Net cash outflow from investing activities	**(100.8)**	(88.8)
Cash flows from financing activities		
Proceeds from issue of shares allotted under share plans	**4.1**	0.5
Refund of expenses related to shares issued in prior years	**–**	6.6
Proceeds from bank borrowings	**34.5**	270.1
Repayments of bank borrowings	**(206.8)**	(467.8)
Proceeds from private placement debt notes, net of issuance cost	**216.0**	104.0
Repayments of finance leases	**(2.8)**	(4.0)
Repayments of other borrowings	**(1.5)**	(0.8)
Net proceeds from forward contracts	**(0.5)**	(20.7)
Dividends paid to the Company's shareholders	**(80.7)**	(78.2)
Net cash outflow from financing activities	**(37.7)**	(190.3)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts	**31.2**	(94.8)
Cash, cash equivalents and bank overdrafts at the beginning of the year	**35.8**	124.4
Net increase/(decrease) in cash, cash equivalents and bank overdrafts	**31.2**	(94.8)
Effect of foreign exchange rates	**0.9**	6.2
Cash, cash equivalents and bank overdrafts at the end of the year	**67.9**	35.8

Five year summary (unaudited)

The five year financial summary below includes selected information on a calendar year basis, which has been extracted from audited financial statements.

	2007 £'m	2008 £'m	2009 £'m	2010 £'m	**2011 £'m**
Revenue	3,073.2	3,588.0	3,701.6	3,696.8	**3,921.3**
Adjusted operating profit[1]	207.6	267.4	272.3	271.9	**113.8**
Operating profit before goodwill amortisation/ impairment and exceptional items	132.9	178.7	183.8	212.3	**59.3**
Goodwill amortisation/impairment and exceptional items	(23.2)	(92.3)	(117.5)	(1.7)	**(4.8)**
Share of post-tax profits from associates	1.2	0.7	0.5	0.6	**1.0**
Net finance costs payable	(26.8)	(43.3)	(24.2)	(18.3)	**(22.8)**
Profit on ordinary activities before tax	84.1	43.8	42.6	192.9	**32.7**
Tax on profit on ordinary activities	(5.4)	(4.9)	(2.5)	(40.8)	**(5.5)**
Profit on ordinary activities after tax	78.7	38.9	40.1	152.1	**27.2**
Result from discontinued operation[2]	89.4	–	–	–	**–**
Non-controlling interests	1.8	(0.2)	–	–	**–**
Profit for the year attributable to ordinary shareholders	169.9	38.7	40.1	152.1	**27.2**
Closing number of employees from continuing operations	38,740	39,937	38,780	39,284	**41,784**
Turnover growth from continuing operations	27%	17%	3%	(0.1)%	**6.1%**
Adjusted operating margin from continuing operations[3]	6.8%	7.5%	7.4%	7.4%	**2.9%**
Adjusted basic earnings per share from continuing operations[4]	10.2p	12.3p	12.5p	12.3p	**4.5p**
Dividends per share[5]	5.80p	3.00p	3.30p	4.20p	**4.40p**

1 Adjusted operating profit represented operating profit from continuing operations before amortisation of intangible assets initially recognised on acquisition and exceptional items. As disclosed in Note 3 to the consolidated financial statements restructuring programmes are no longer treated as exceptional items. The adjusted operating profit for prior years disclosed above has not been restated to reflect this change. Restructuring charges were £nil in 2007, £84.3 million in 2008, £95.1 million in 2009 and £nil in 2010. Adjusted operating profit under IFRSs is defined in Note 8 to the consolidated financial statements.
2 For the year ended 31 December 2007, the result from discontinued operation represented the Telecoms Products operation, which was disposed on 18 June 2007.
3 The adjusted operating margin is from continuing operations before exceptional items and amortisation of those intangible assets initially recognised at fair value in a business combination.
4 Adjusted basic earnings per share under IFRSs is defined in Note 15 to consolidated financial statements.
5 Dividends per share are presented according to the financial year to which they relate rather than the basis of recognition for accounting purposes.

Any questions for us?

Financial calendar

22 February FY11 results announced	10 April Annual report and accounts and AGM Notice published	11 April Ex-dividend date	13 April Record date to be eligible for the final dividend
11 May AGM and Q1 interim management statement	16 May Final dividend paid to shareholders	3 August Interim results announced	12 September Ex-dividend date
14 September Record date to be eligible for the interim dividend	12 October Interim dividend paid to shareholders	31 October Q3 interim management statement	

Online service
To help us cut down on the number of documents we print and post, we encourage all shareholders to use our online service at **www.logica-shares.com**. Here, you will find access details for your individual shareholdings so you can update your address or your dividend mandate details. You can also receive updates on statutory publications, new shareholder information, our online annual report and accounts and other information.

Also, information that is not sent out by post, including half year results, trading statements, results presentations and news updates can also be found on our website **www.logica.com/investors**

If it sounds too good to be true, it probably is!
We know that some shareholders have received unsolicited calls from unauthorised firms, targeting them with offers of worthless, overpriced or even non-existent shares. We advise our shareholders to be wary of this type of call, because generally what sounds too good to be true, often is.

If a stranger does get in contact out of the blue, try and gather as much information as you can about them, including contact details and Firm Reference Number (FRN) and report the matter to the UK Financial Services Authority (FSA) +44 (0) 845 606 1234 or by visiting **www.fsa.gov.uk**.

For any questions you might have concerning shareholdings, including notification of change of address, dividend payments or loss of a share certificate, please contact our registrars:

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield HD8 0GA
United Kingdom
www.capitaregistrars.com

From the UK: 0871 664 0300
(calls cost 10p per minute plus any network provider charges; lines are open 9.00am – 5.30pm, Mon – Fri).

From outside the UK:
+44 (0)20 8639 3399
Email: shareholder.services@capitaregistrars.com
Fax: +44 (0)1484 601512

Capita will also be able to advise you on a number of ways to manage your shareholding including Dividend Reinvestment Plan (DRIP), foreign currency conversions and tax certificates.

Our investor website can be found at:
www.logica.com/investors

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Logica in ten: shareholders

Almost three-quarters of our 20,000 shareholders have a holding of between 1 and 1,000 shares. At the top of the register, the top 25 institutional shareholders represented holdings equivalent to almost 70% of the share register at the end of December 2011.

See and hear more online:
annualreport.logica.com/our-stories/

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