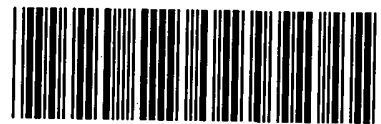

SOPRA STERIA LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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SOPRA STERIA LIMITED

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SOPRA STERIA LIMITED

COMPANY INFORMATION

DIRECTORS	Mr D S Ahluwalia Mme. S C M Dangu Mr J J Moran Mr J P Torrie
COMPANY SECRETARY	Mr P A Cashmore
REGISTERED NUMBER	04077975
REGISTERED OFFICE	Three Cherry Trees Lane Hemel Hempstead Hertfordshire HP2 7AH
INDEPENDENT AUDITOR	Mazars LLP Chartered Accountants and Statutory Auditor Tower Bridge House St Katharine's Way London E1W 1DD
BANKERS	Barclays Bank PLC 1 Churchill Place Canary Wharf London E14 5HP

SOPRA STERIA LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

INTRODUCTION

The Directors are pleased to present their Strategic Report for the year ended 31 December 2015.

BUSINESS REVIEW

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

The Company generated revenue of £513.9 million in 2015 (2014: £460.7 million). Its profit before tax for the year was £27.8 million, compared to a profit of £35.7 million in the previous year. Included in exceptional items are costs of £3.7 million (2014: £0.9 million) incurred as a result of restructuring and profit of £14 million (2014: Nil) relating to the reversal of an investment impairment provision. The Company generated an operating profit of £19.5 million before exceptional items and share-based payments in 2015 compared to an equivalent profit of £38.9 million in 2014.

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

In the UK public sector, the Company continued to make progress with our landmark subsidiary owned jointly with the Cabinet Office. Shared Services Connected Ltd (SSCL), in which the Company has a 75% shareholding, delivers shared procurement, finance and HR services to UK Government customers including the Department of Work and Pensions, the Department of the Environment and Rural Affairs, the Environment Agency, the Home Office and Ministry of Justice. During the year, the client base of SSCL was expanded to include the Metropolitan Police. Sales opportunities remain promising for the forthcoming years, both in terms of back-office outsourcing and with the development of big data service add-ons to analyse the data flowing through those platforms.

More widely in the public sector, we extended some of our significant Government contracts and won new names such as Harrow Council in the Local Government market. Also noteworthy, Sopra Steria Group were selected by NATO to deliver the Logistics Functional Services (LOGFS) programme, in which the Company will play a key role. The service will deliver inter-operable logistics capabilities across multiple functions including mission planning, asset and consignment management, medical support and movement and transportation planning.

Having partnered with the Co-operative Group for over twenty years, the Company played a key role in successfully delivering the migration of its Life & Savings business to Royal London following its recent sale. This vast and complex programme involved the separation and transfer of IT and business assets including customer data, on-line and batch systems and processes. The programme was completed before the two-year timeline target in this high profile and heavily regulated environment and was delivered without disruption to customers or business teams in either organisation.

Conversely, 2015 was a tough year for the commercial sector, where revenue declined overall. Reorganisation initiatives were launched to lay the foundation for recovery and new wins were recognised during the year, which will be announced during 2016.

In the Business Process Services (BPS) market we continue to provide Finance and Accounting services to various household names.

SOPRA STERIA LIMITED

STRATEGIC REPORT (continued)

NHS Shared Business Services Limited (NHS SBS), the company jointly owned by Sopra Steria Limited and the Department of Health, continues to make excellent progress. 100% of NHS Commissioners, and around 30% of NHS Providers receive services from NHS SBS, including Finance and Accounting, Procurement, Employment Services and Primary Care Service.

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

In addition, credit risk is managed by checking potential new customers with external credit agencies prior to contract signature.

The value of the deficit in the defined benefit pension schemes increases or reduces year-on-year, in line with changes in accounting assumptions and the market value of assets in the schemes. Contributions to the schemes are made in accordance with a formal contribution schedule for each scheme which is agreed with the Trustees as part of the triennial valuation process. The next triennial valuations are due to be completed in 2017.

FINANCIAL KEY PERFORMANCE INDICATORS

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

	<u>2015</u>	<u>2014</u>
	£ 000's	£ 000's
Turnover	513,904	460,675
Operating profit after exceptional items and share-based payments	29,444	37,732
Profit before tax	27,754	35,664

OTHER KEY PERFORMANCE INDICATORS

The Company is committed to supporting a sustainable world for all. Our sustainability programme is designed to do that by working across four areas: Community, Marketplace, Environment, and Workplace.

Community activity has always been an important part of what we do and throughout our company history we have many examples of Sopra Steria people getting involved to benefit people less fortunate than ourselves. We have, over the years, helped to raise many tens of thousands of pounds for a number of different charities.

Sustainability in the Marketplace is a matter of economic sustainability: our own profitability but also the sustainability of the local, national and global economies. Our focus areas include business ethics: ensuring we conduct our business in compliance with the law and ethical standards, including those described in the UN Global Compact and improving the sustainability of local economies; and finding new sources of innovation by working with a diverse range of partners and suppliers, including those in our local communities and small and medium sized enterprises.

SOPRA STERIA LIMITED

STRATEGIC REPORT (continued)

As part of the environmental focus in the UK, all our major offices are certified to ISO 14001 and data verified to ISO14064-3 and these standards form the cornerstone of our environmental sustainability strategy and related initiatives. As part of the wider Sopra Steria Group, our climate change and environmental disclosure credentials received a score of 100 from CDP worldwide benchmark in 2015, placing us in the Climate Disclosure Leadership Index.

Our business depends on our people. We provide an environment for our people to build their skills and careers. We bring equality, diversity and inclusion, human and labour rights to all parties and actively support employee wellbeing and engagement.

We continue to innovate and incorporate sound principles of sustainability into all aspects of our business to create more value in the solutions and services we deliver to our clients.

This report was approved by the Board on 13 April 2016 and signed on its behalf.



Mr P A Cashmore
Company Secretary

SOPRA STERIA LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

The Directors present their report and the financial statements for the year ended 31 December 2015.

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under Company law the Directors must not approve the financial statements unless satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITY

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

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

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £25,729 thousand (2014: £29,311 thousand).

No dividends were paid during the year (2014: £Nil) and the Directors do not recommend the payment of a final dividend.

SOPRA STERIA LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

DIRECTORS

The Directors who served during the year were:

Mr D S Ahluwalia
Mme. S C M Dangu
Mr L P C Lemaire (resigned 29 February 2016)
Mr J J Moran
Mr J P Torrie

ENVIRONMENTAL MATTERS

The Company will seek to minimise adverse impacts on the environment from its activities, whilst continuing to address health, safety and economic issues. The Company has complied with all applicable legislation and regulations.

FUTURE DEVELOPMENTS

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

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

EMPLOYEE INVOLVEMENT

During the year, the policy of providing employees with information about the Sopra Steria Group was continued through the use of the intranet and other internal communications available to all employees. Regular meetings are held between local management and employees to allow a free flow of information and ideas. Employees are also encouraged to participate directly in the business by share ownership through Sopra Steria's Group Employee Shareholding Programme (GESP). Subscriptions to the GESP were suspended from July 2014 following the offer by Sopra Group S.A. for Group Steria SCA. A new employee shareholding programme has been put in place in March 2016.

DISABLED EMPLOYEES

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

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

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

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

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

SOPRA STERIA LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

MATTERS COVERED IN THE STRATEGIC REPORT

Details of the Company's financial risk management policies are included in the strategic report.

DISCLOSURE OF INFORMATION TO AUDITOR

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

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

EVENTS AFTER THE REPORTING PERIOD

There have been no significant events affecting the Company since the year-end.

AUDITORS

Under section 487(2) of the Companies Act 2006, Mazars LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the Board on 13 April 2016 and signed on its behalf.



Mr P A Cashmore
Secretary

SOPRA STERIA LIMITED

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

We have audited the financial statements of Sopra Steria Limited for the year ended 31 December 2015 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes In Equity and the notes to the financial statements. 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) including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report is made solely to the Company's member in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's member those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's member for our audit work, for this report, or for the opinions we have formed.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

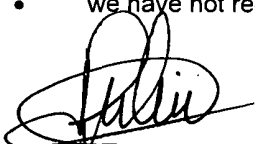
SOPRA STERIA LIMITED

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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



David Herbinet (Senior Statutory Auditor)

for and on behalf of

Mazars LLP

Chartered Accountants and Statutory Auditor

Tower Bridge House

St Katharine's Way

London

E1W 1DD

Date: 18/04/2016

SOPRA STERIA LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Note	2015 £000	2014 £000
Turnover	3	513,904	460,675
Operating expenses		(495,519)	(423,429)
Exceptional item - release of investment provision	14	14,000	-
Other operating income	4	1,068	1,697
Share-based payments	28	(331)	(320)
Exceptional item - restructuring costs	14	(3,678)	(891)
Operating profit		29,444	37,732
Income from shares in Group companies	9	3,700	3,250
Interest receivable and similar income	10	6,351	5,682
Interest payable and expenses	11	(4,634)	(3,474)
Other finance income	12	(7,107)	(7,526)
Profit before tax		27,754	35,664
Tax on profit	13	(2,025)	(6,353)
Profit for the year		25,729	29,311
Other comprehensive income for the year			
Actuarial gains / (losses) on defined benefit pension scheme	31	72,683	(19,486)
Deferred tax (charge)/credit regarding pension contribution excess		(14,825)	2,285
Change in rate of tax		(3,948)	-
Current tax credit regarding pension contribution excess		1,742	1,612
Other comprehensive income for the year		55,652	(15,589)
Total comprehensive income for the year		81,381	13,722

SOPRA STERIA LIMITED
REGISTERED NUMBER:04077975

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

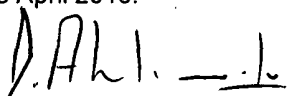
	Note	2015 £000	2014 £000
Fixed assets			
Goodwill	15	49,945	14,038
Intangible assets	16	1,385	633
Tangible assets	17	7,193	6,434
Investments	18	119,974	105,974
		<u>178,497</u>	<u>127,079</u>
Current assets			
Inventories	19	1,009	1,024
Debtors	20	371,772	355,376
Cash and cash equivalents	21	71,280	73,834
		<u>444,061</u>	<u>430,234</u>
Creditors: amounts falling due within one year	22	(176,196)	(135,925)
Net current assets		<u>267,865</u>	<u>294,309</u>
Total assets less current liabilities		<u>446,362</u>	<u>421,388</u>
Creditors: amounts falling due after more than one year	23	(60,712)	(40,000)
Provisions for liabilities	26	(20,883)	(15,777)
Net assets excluding pension asset/liability		<u>364,767</u>	<u>365,611</u>
Pension liabilities	31	(117,077)	(199,152)
Pension asset	31	2,240	1,759
Net assets		<u><u>249,930</u></u>	<u><u>168,218</u></u>

SOPRA STERIA LIMITED
REGISTERED NUMBER:04077975

STATEMENT OF FINANCIAL POSITION (continued)
AS AT 31 DECEMBER 2015

	Note	2015 £000	2014 £000
Capital and reserves			
Called up share capital	27	63,053	63,053
Share premium account		205,927	205,927
Profit and loss account		(19,050)	(100,762)
Shareholder's funds		<u>249,930</u>	<u>168,218</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 13 April 2016.


Mr D S Ahluwalia
Director

The notes on pages 15 - 48 form part of these financial statements.

SOPRA STERIA LIMITED

**STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2015**

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
At 1 January 2015	63,053	205,927	(100,762)	168,218
Comprehensive income for the year				
Profit for the year	-	-	25,729	25,729
Actuarial gains on pension scheme	-	-	72,683	72,683
Deferred tax (charge)/credit regarding pension contribution excess	-	-	(14,825)	(14,825)
Change in rate of deferred tax	-	-	(3,948)	(3,948)
Current tax credit regarding pension contribution excess	-	-	1,742	1,742
Other comprehensive income for the year	-	-	55,652	55,652
Total comprehensive income for the year	-	-	81,381	81,381
Share-based payments	-	-	331	331
Total transactions with owners	-	-	331	331
At 31 December 2015	63,053	205,927	(19,050)	249,930

SOPRA STERIA LIMITED

**STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2014**

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
At 1 January 2014 (as previously stated)	58,150	168,078	(107,188)	119,040
Change in accounting framework (see note 35)	-	-	(7,616)	(7,616)
At 1 January 2014 (as restated)	58,150	168,078	(114,804)	111,424
Comprehensive income for the year				
Profit for the year	-	-	29,311	29,311
Actuarial losses on pension scheme	-	-	(19,486)	(19,486)
Deferred tax (charge)/credit regarding pension contribution excess	-	-	2,285	2,285
Current tax credit regarding pension contribution excess	-	-	1,612	1,612
Other comprehensive income for the year	-	-	(15,589)	(15,589)
Total comprehensive income for the year	-	-	13,722	13,722
Shares issued during the year	4,903	37,849	-	42,752
Share-based payments	-	-	320	320
Total transactions with owners	4,903	37,849	320	43,072
At 31 December 2014	63,053	205,927	(100,762)	168,218

SOPRA STERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

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

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

The Company transitioned from UK GAAP to FRS 101 for all periods presented. The date of transition is 1 January 2014.

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

Information on the impact of first-time adoption of FRS 101 is given in note 35.

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

The Company is exempt from preparing group accounts under s400 of the Companies Act 2006 as, at 31 December 2015, its ultimate parent, Sopra Steria Group S.A., prepares and publishes consolidated accounts which include the results of the Company and are publicly available.

First time application of FRS 100 and FRS 101

In the current year the Company has adopted FRS 100 and FRS 101. In previous years the financial statements were prepared in accordance with applicable UK accounting standards.

This change in the basis of preparation has materially altered the recognition and measurement requirements previously applied in accordance with UK GAAP. An explanation of the impact of the adoption of FRS 100 and FRS 101 for the first time is included in the note 35.

There have been no other material amendments to the disclosure requirements previously applied in accordance with UK GAAP.

The following principal accounting policies have been applied:

SOPRA STERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (continued)

1.2 Financial reporting standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-based payment
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- the requirements of paragraph 33(c) of IFRS 5 Non Current Assets Held For Sale and Discontinued Operations
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
 - paragraphs 76 and 79(d) of IAS 40 Investment Property; and
 - paragraph 50 of IAS 41 Agriculture
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

For certain disclosure exemptions listed above, the equivalent disclosures are included in the consolidated financial statements of Sopra Steria Group S.A. which are available to the public and can be obtained as set out in note 34.

IFRS 1 permits the Company in certain instances, to take advantage of certain exemptions from applying the requirements on a fully retrospective basis as at the date of transition. The Company has chosen to apply the following exemptions which are permitted under IFRS 1:

- Business combinations
- Classification and measurement of financial assets
- Impairment of financial assets

1.3 Adoption of new and revised standards

The following standards and interpretations have been adopted in the financial statements as they are mandatory for the year ended 31 December 2015.

Endorsed
IFRIC 21 'Levies'
Annual improvements to IFRS (2011-2013)

Effective for periods beginning on or after:
17 June 2014
1 January 2015

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. ACCOUNTING POLICIES (continued)

1.4 Going concern

The Directors are satisfied that the Company has adequate resources for its foreseeable needs given current budget and forecasts, availability of liquid resources, current loan facilities and long-term visibility on key contracts. For this reason the Directors have concluded that there are no material uncertainties in adopting the going concern basis in preparing the financial statements.

1.5 Revenue

Revenue recognition occurs generally when, and to the extent that, the right to consideration is obtained in exchange for its performance. Revenue on time and materials contracts is recognised in line with the effort expended. Revenue on recurring maintenance and support contracts is spread evenly over the term of the contract. Revenue on fixed price contracts is taken in proportion to the cost of work performed on each contract relative to the estimated total costs of completing the contract. Provision is made for the whole of any anticipated losses as soon as they are identified. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

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

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

Rendering of services

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

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

SOPRA STERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (continued)

1.6 Goodwill

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

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

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

Goodwill is capitalised as an intangible asset and is not amortised. Instead it is reviewed annually for impairment with any impairment in carrying value being charged to profit or loss. The Companies Act 2006 requires acquired goodwill to be reduced by provisions for depreciation calculated to write off the amount systematically over a period chosen by the directors, not exceeding its useful economic life. It has been deemed, however, the non-amortisation of goodwill is a departure, for the over-riding purpose of giving a true and fair view. The effect of this departure is to increase profits by £1.7 million in both the current and prior year with a consequent increase to net assets.

1.7 Intangible assets

Software is included as part of Intangible Assets.

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Internally developed software is capitalised as an Intangible Asset only if the completion of the asset is intended and technically feasible, the Company has the ability and resources to use the asset internally or sell it in an existing market and the costs attributable to the development can be reliably measured.

Depreciation is provided on all intangible fixed assets so as to write off cost less residual value over their anticipated useful lives on a straight-line basis. This depreciation is charged to operating expenses in the income statement. The estimated useful lives range as follows:

Software Licenses	-	1 to 10 years, according to the licence period
Other intangible fixed assets	-	3 to 10 years

SOPRA STERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (continued)

1.8 Tangible fixed assets

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

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

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

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

The estimated useful lives range as follows:

Long-term leasehold property	-	25 - 40 years
Short-term leasehold property	-	over the period of the lease
Plant and machinery	-	3 - 15 years

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

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

1.9 Operating leases: Lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

1.10 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

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

SOPRA STERIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. ACCOUNTING POLICIES (continued)

1.11 Inventories

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

1.12 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.13 Cash and cash equivalents

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

1.14 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

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

SOPRA STERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (continued)

1.15 Financial instruments

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

Financial assets

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

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

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

Financial liabilities

The Company classifies all of its financial liabilities as liabilities at amortised cost.

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

SOPRA STERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (continued)

1.16 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is Pounds Sterling.

Transactions and balances

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

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

1.17 Finance costs

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

1.18 Share-based payments

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

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

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

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

SOPRA STERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (continued)

1.19 Pensions

Defined contribution pension plan

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

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

Defined benefit pension plan

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

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

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

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

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

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

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

SOPRA STERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (continued)

1.20 Interest income

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

1.21 Provisions for Liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Income Statement in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

1.22 Current and deferred taxation

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

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

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

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

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

1.23 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

SOPRA STERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (continued)

1.24 Acquisition of trade and assets

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

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

The main areas of uncertainty and estimation relate to the following:

- The valuation of the pension scheme liabilities requires assumptions to be selected, in particular the discount rate used. The Directors take advice from professional advisors in order to ensure that the assumptions selected are justifiable;
- The estimation of the financial effect of contractual issues is inherently uncertain. The Directors have provided for the financial effect based on their knowledge of the contractual position and, where appropriate, after taking legal advice;
- The assessment of the carrying value of investments in subsidiaries and goodwill requires the Directors to estimate the future profitability of the subsidiary or business concerned;
- The recoverability of deferred tax assets is dependent upon future taxable profits being available to offset against the deferred tax asset.

In all of the above areas the actual outcome could be different from the estimates and assumptions adopted by the Directors.

3. ANALYSIS OF TURNOVER

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

	2015 £000	2014 £000
Computing, consultancy and business processing outsourcing services	496,379	433,472
Sale of goods	17,525	27,203
	<u>513,904</u>	<u>460,675</u>

Analysis of turnover by country of destination:

	2015 £000	2014 £000
United Kingdom	502,580	456,839
Rest of Europe	10,944	2,354
Rest of the world	380	1,482
	<u>513,904</u>	<u>460,675</u>

SOPRA STERIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

4. OTHER OPERATING INCOME

	2015	2014
	£000	£000
Net rents receivable	1,068	1,697
	<u>1,068</u>	<u>1,697</u>

5. OPERATING PROFIT

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

	2015	2014
	£000	£000
Depreciation of tangible fixed assets	2,339	2,344
Amortisation of intangible assets	444	542
Operating lease rentals:		
- Land and buildings	5,874	5,090
- Other operating leases	2,104	3,051
Exchange differences	(71)	(36)
Share-based payments	331	320
	<u>331</u>	<u>320</u>

6. AUDITORS' REMUNERATION

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

	2015	2014
	£000	£000
Fees for the audit of the Company	197	223
	<u>197</u>	<u>223</u>

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the group accounts of the parent company.

SOPRA STERIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

7. EMPLOYEES

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

	2015 £000	2014 £000
Wages and salaries	175,564	143,030
Social security costs	19,663	16,072
Staff pension current service costs (DB)	1,582	1,423
Cost of defined contribution scheme	22,130	18,873
Share-based payments	331	320
	219,270	179,718

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

	2015 No.	2014 No.
Operations	3,213	2,666
Administration	474	410
	3,687	3,076

SOPRA STERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

8. DIRECTORS' REMUNERATION

	2015 £000	2014 £000
Directors' emoluments	1,336	1,269
Directors' pension costs - defined contribution scheme	42	42
	<u>1,378</u>	<u>1,311</u>

During the year retirement benefits were accruing to 1 Director (2014: 1) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £748 thousand (2014: £705 thousand).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £42 thousand (2014: £42 thousand).

The total accrued pension provision of the highest paid Director at 31 December 2015 amounted to £18 thousand (2014: £18 thousand).

During the year, 2 Directors (including the highest paid Director) received shares under long-term incentive schemes (2014: 2). The highest paid Director did not exercise any share options during the year or the prior year.

The Directors of the Company are also directors of other Sopra Steria companies in the United Kingdom. The Directors received total remuneration for the year of £1,335,505 (2014: £1,268,707), all of which was paid by the Company. The Directors do not believe that it is practicable to apportion this amount between their services as Directors of the Company and their services as Directors of fellow subsidiary companies.

9. INCOME FROM INVESTMENTS

	2015 £000	2014 £000
Dividend received from Sopra Steria Recruitment Limited	(3,700)	(3,250)
	<u>(3,700)</u>	<u>(3,250)</u>

10. INTEREST RECEIVABLE

	2015 £000	2014 £000
Interest receivable from Group companies	6,040	5,482
Bank and other interest receivable	311	200
	<u>6,351</u>	<u>5,682</u>

SOPRA STERIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

11. INTEREST PAYABLE AND SIMILAR CHARGES

	2015	2014
	£000	£000
Discount unwind on provisions	231	309
Loans from Group undertakings	4,390	2,199
Other interest payable	13	966
	<u>4,634</u>	<u>3,474</u>

12. OTHER FINANCE COSTS

	2015	2014
	£000	£000
Net interest on pension fund liabilities	(7,107)	(7,526)
	<u>(7,107)</u>	<u>(7,526)</u>

13. TAXATION

	2015	2014
	£000	£000
Corporation tax		
Current tax on profits for the year	1,661	6,468
Adjustments in respect of previous periods	180	(298)
Total current tax	<u>1,841</u>	<u>6,170</u>
Deferred tax		
Current year	101	201
Adjustments in respect of previous periods	83	(18)
Total deferred tax	<u>184</u>	<u>183</u>
Taxation on profit on ordinary activities	<u>2,025</u>	<u>6,353</u>

SOPRA STERIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

13. TAXATION (continued)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than (2014: *lower than*) the standard rate of corporation tax in the UK of 20.25% (2014: 21.5%). The differences are explained below:

	2015 £000	2014 £000
Profit on ordinary activities before tax	27,754	35,664
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014: 21.5%)	5,620	7,668
Effects of:		
Expenses not deductible for tax purposes	251	211
Adjustments to tax charge in respect of previous periods	263	(316)
Non-taxable dividend income	(749)	(699)
Non-taxable write-back of investment provision	(2,835)	-
Share-based payments	67	69
Non-taxable interest unwind	(382)	(397)
Tax relief on shares transferred to SIP	-	(47)
Rate difference regarding deferred tax	(210)	(136)
Total tax charge for the year	2,025	6,353

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The Finance Act 2015 provides that the main rate of corporation tax will fall to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020. As this legislation has been substantively enacted at the end of the reporting period, the impact of these tax rate reductions on the deferred tax balances carried forward has been included in these accounts.

The March 2016 Budget announced that the main rate of corporation tax from 1 April 2020 will be 17% instead of 18% as stated above. However, as this measure has not been substantially enacted at the end of the reporting period, the impact of the additional tax rate reduction has not been included in these accounts.

SOPRA STERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

14. EXCEPTIONAL ITEMS

	2015 £000	2014 £000
Restructuring costs	3,678	891
Reversal of investment provision	(14,000)	-
	<u>(10,322)</u>	<u>891</u>

The restructuring costs arise following the transfer of the business of Sopra Group Holding Limited and its subsidiaries to the Company.

The reversal of investment provision follows a revised valuation of a subsidiary undertaking at £75.9 million on a value in use basis, subsequent to increased turnover and profit of that subsidiary undertaking.

15. GOODWILL

	2015 £000
Cost	
At 1 January 2015	22,625
Additions	35,907
At 31 December 2015	58,532
Amortisation	
At 1 January 2015	8,587
At 31 December 2015	8,587
Net book value	
At 31 December 2015	49,945
<i>At 31 December 2014</i>	<i>14,038</i>

On 1 January 2015, the Company acquired the trade and assets of subsidiary companies Sopra Group Holding Ltd and Sopra Group Limited. The combined purchase price was £35,214 thousand and net assets valued at -£693 thousand were acquired, leading to goodwill of £35,907 thousand. An impairment test has been prepared at the end of the reporting period on a value in use basis which has determined that the carrying value of goodwill is supported.

SOPRA STERIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

16. INTANGIBLE ASSETS

	Software licenses £000	Other intangible assets £000	Internally developed software £000	Total £000
Cost				
At 1 January 2015	19,534	-	384	19,918
Additions	105	-	-	105
Disposals	(94)	-	-	(94)
Transferred from assets under construction	91	-	978	1,069
Transfers intra Group	11	16	-	27
At 31 December 2015	19,647	16	1,362	21,025
Amortisation				
At 1 January 2015	18,973	-	312	19,285
Charge for the year	313	6	125	444
On disposals	(89)	-	-	(89)
At 31 December 2015	19,197	6	437	19,640
Net book value				
At 31 December 2015	450	10	925	1,385
<i>At 31 December 2014</i>	<i>561</i>	<i>-</i>	<i>72</i>	<i>633</i>

SOPRA STERIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

17. TANGIBLE FIXED ASSETS

	Long-term leasehold property £000	Short-term leasehold property £000	Plant and machinery £000	Total £000
Cost				
At 1 January 2015	-	9,082	44,243	53,325
Additions	1,780	-	1,658	3,438
Transfers intra Group	-	-	781	781
Disposals	-	(4,846)	(4,316)	(9,162)
Assets under construction transferred to intangible assets	-	-	(1,069)	(1,069)
At 31 December 2015	1,780	4,236	41,297	47,313
Depreciation				
At 1 January 2015	-	9,082	37,809	46,891
Charge - assets owned	-	-	2,327	2,327
Charge - assets leased	12	-	-	12
Disposals	-	(4,846)	(4,264)	(9,110)
At 31 December 2015	12	4,236	35,872	40,120
Net book value				
At 31 December 2015	1,768	-	5,425	7,193
<i>At 31 December 2014</i>	<i>-</i>	<i>-</i>	<i>6,434</i>	<i>6,434</i>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2015 £000	2014 £000
Land and buildings	1,768	-
	1,768	-

SOPRA STERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

18. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2015	119,974
At 31 December 2015	<u>119,974</u>
Impairment	
At 1 January 2015	14,000
Reversal of impairment	<u>(14,000)</u>
At 31 December 2015	<u>-</u>
Net book value	
At 31 December 2015	<u>119,974</u>
<i>At 31 December 2014</i>	<u>105,974</u>

DIRECT SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Sopra Steria Recruitment Limited	England	Ordinary	100 %	Staff Recruitment
NHS Shared Business Services Limited	England	Ordinary	50 %	Business process outsourcing
Shared Services Connected Ltd	England	Ordinary	75 %	Business process outsourcing
Sopra Group Holding Ltd	England	Ordinary	100 %	Holding company
NHS Shared Employee Services Limited	England	Ordinary	51 %	Dormant

SOPRA STERIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

18. FIXED ASSET INVESTMENTS (continued)

INDIRECT SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the Company:

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

19. INVENTORIES

	2015 £000	2014 £000
Work in progress	1,009	1,024
	1,009	1,024

The amount of work in progress recognised as an expense in the year was £414 thousand (2014: £290 thousand).

SOPRA STERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

20. DEBTORS

	2015 £000	2014 £000
Due after more than one year		
Amounts owed by Group undertakings	185,855	146,859
Deferred taxation (see note 25)	23,275	42,120
	<u>209,130</u>	<u>188,979</u>
Due within one year		
Trade debtors	35,733	30,787
Amounts owed by Group undertakings	81,495	95,467
Other debtors	1,552	1,652
Prepayments and accrued income	42,403	38,491
Tax recoverable	1,459	-
	<u>371,772</u>	<u>355,376</u>

The Amounts owed by Group undertakings due after one year include the following:
£96.1 million (2014: £94.2 million) bearing interest at 0.6% below LIBOR, due for repayment in December 2017;
£30 million (2014: £10 million) bearing interest at rates between 5% and 7% above the Bank of England base rate, available until 30 September 2020;
£59.8 million (2014: £42.6 million) bearing interest at 1.5% above the Bank of England base rate, repayable in December 2018;

21. CASH AND CASH EQUIVALENTS

	2015 £000	2014 £000
Cash at bank and in hand	71,280	73,834
	<u>71,280</u>	<u>73,834</u>

SOPRA STERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

22. CREDITORS: Amounts falling due within one year

	2015 £000	2014 £000
Trade creditors	4,110	13,134
Amounts owed to Group undertakings	88,390	50,929
Corporation tax	-	2,580
Taxation and social security	19,829	16,606
Other creditors	7,995	5,386
Accruals and deferred income	55,872	47,290
	<u>176,196</u>	<u>135,925</u>

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

	2015 £000	2014 £000
Amounts owed to Group undertakings	60,712	40,000
	<u>60,712</u>	<u>40,000</u>

Loan details

The Amount owed to Group undertakings is interest bearing at a rate of 5% above the Bank of England base rate and is repayable on 31 October 2020.

24. FINANCIAL INSTRUMENTS

	2015 £000	2014 £000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	304,659	274,765
	<u>304,659</u>	<u>274,765</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(201,927)	(141,259)
	<u>(201,927)</u>	<u>(141,259)</u>

Financial assets measured at amortised cost comprise Amounts owed by Group undertakings, Trade debtors, Other debtors and Accrued interest receivable.

Financial Liabilities measured at amortised cost comprise Amounts owed to Group undertakings, Trade creditors, Other creditors and Accruals.

SOPRA STERIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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25. DEFERRED TAXATION

The deferred tax asset is made up as follows:

	Accelerated capital allowances £'000	Short-term timing differences £'000	Pension deficit £'000	Total £'000
At 1 January 2014	1,930	911	-	2,841
Change in accounting framework	-	-	37,178	37,178
At 1 January 2014 (as restated)	1,930	911	37,178	40,019
Charged / (credited) to the income statement	(255)	72	(1,612)	(1,795)
Charged to other comprehensive income	-	-	2,285	2,285
Reclassified to current tax	-	-	1,612	1,612
Other adjustments	-	(17)	16	(1)
At 31 December 2014	1,675	966	39,479	42,120
At 1 January 2015	1,675	966	39,479	42,120
Charged / (credited) to the income statement	(129)	228	(1,742)	(1,643)
Charged to other comprehensive income	-	-	(14,825)	(14,825)
Reclassified to current tax	-	-	1,742	1,742
Transferred from Sopra Group Limited	43	81	-	124
Effect of change in tax rate:				
- income statement	(171)	(112)	-	(283)
- other comprehensive income	-	-	(3,948)	(3,948)
Other adjustments	-	24	(36)	(12)
At 31 December 2015	1,418	1,187	20,670	23,275

A potential deferred tax asset of £79 thousand (2014: £88 thousand) exists in relation to trading losses carried forward. However, this has not been recognised as there is currently insufficient evidence that this asset is more likely than not to be recovered.

SOPRA STERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

26. PROVISIONS

	Dilapidation provision £000	Vacant property provision £000	Other provision £000	Total £000
At 1 January 2015	7,234	561	7,982	15,777
Additions	1,174	45	11,326	12,545
Reversals	(1,663)	(78)	(3,689)	(5,430)
Interest unwind for discount	203	17	11	231
Utilised in year	(1,199)	(255)	(786)	(2,240)
At 31 December 2015	5,749	290	14,844	20,883

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

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

(c) Other provisions includes £0.4 million for Permanent Healthcare Insurance (PHI) for employees, £4.0 million relating to other employee issues including reorganisation costs and potential staff costs following recent legislation and £10.4 million for various other contractual issues. The PHI provision is expected to be used by 2031 and the employee and other contractual issues within the next 3 years, although there is much uncertainty relating to the timing and amount of these outflows. The amount of the provision represents the Directors' best estimate of the costs which will be incurred to settle the obligations.

27. SHARE CAPITAL

	2015 £000	2014 £000
Authorised		
100,000,000 Ordinary shares of £1 each	100,000	100,000
Allotted, called up and fully paid		
63,052,937 Ordinary shares of £1 each	63,053	63,053

SOPRA STERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

28. SHARE-BASED PAYMENTS

The Company's share-based payment plans are described in the paragraphs below and were originally awarded in Groupe Steria SCA shares, but have now been converted to shares in Sopra Steria Group S.A. Shares granted under these plans usually have a vesting period of 3 or 4 years.

Matching and Partnership Shares (SIP)

The SIP was introduced in August 2008. For the year ended 31 December 2014, Steria set a matching level of one matching share for every two partnership shares purchased. Contributions to the SIP were suspended from July 2014 due to Sopra Group S.A.'s successful offer for shares in Groupe Steria SCA. A new SIP came into operation in 2016 which set a matching level of one matching share for every one partnership share purchased.

Leverage Scheme

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

Free Performance Shares

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

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

The Company's share-based payment arrangements are entirely equity-settled and resulted in an expense in the year of £331 thousand (2014: £320 thousand).

SOPRA STERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

29. CONTINGENT LIABILITIES

Letters of credit and performance bonds of £2.6 million (2014: £0.8 million) have been issued to ensure that customers can recover monies in the event that required levels of performance or obligations are not met.

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

As at 31 December 2015, the Company has provided Letters of Support for fellow subsidiaries. The Directors do not anticipate the Letters of Support will have an adverse impact on the future operating costs of the Company.

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

As described in note 18, the Company owns 75% of the shares in Shared Services Connected Ltd. The remaining 25% is owned by the Solicitor for the Affairs of Her Majesty's Treasury, which has a put option under which it can sell its shares to the Company between 1 January 2022 and 1 January 2024, at a price to be determined, based on the fair market value and profitability of Shared Services Connected Ltd during its previous financial year. The price at which the option could be exercised is currently uncertain.

30. CAPITAL COMMITMENTS

The Company has capital commitments of £501 thousand for plant, machinery and equipment at the end of December 2015 (2014: £1.3 million).

31. PENSION COMMITMENTS

Defined Contribution Plan

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

As at 31 December 2015 the amount outstanding in respect of the Company's contribution to the Group's defined contribution schemes was £1,799,192 (2014: £1,540,279). Contributions made in respect of the year ended 31 December 2015 were £22,173,588 (2014: £18,915,711).

Defined Benefit Plan

The Company has retirement plans in four defined benefit pension schemes: The Steria Retirement Plan, The Steria Management Plan, The Steria Electricity Supply Pension Scheme (together the Steria Services Schemes) and The Steria Pension Plan. These are approved, funded pension schemes. The assets of the plans are held separately from those of the company in trustee-administered funds. The pension costs of the plans are charged to the Income Statement of the Company as described in note 1.19. These costs are determined by qualified actuaries on the basis of formal actuarial valuations using the projected unit method. With the exception of The Steria Retirement Plan, the plans are closed to new members and to future accrual.

SOPRA STERIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

31. PENSION COMMITMENTS (continued)

Contributions to the defined benefit plans in the year ended 31 December 2015 were £18.6 million (2014: £17.0 million) of which £15.2 million (2014: £15.1 million) represents contributions made to reduce the actuarial deficit.

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

The Company has determined that it has an unconditional right to a refund of surplus assets if the plans are run off until the last member dies, hence there is no change to the reported Statement of Financial Position under IFRIC 14.

Reconciliation of present value of plan liabilities:

	2015 £000	2014 £000
At the beginning of the year	(1,217,684)	(1,116,274)
Current service cost	(1,582)	(1,423)
Interest cost	(44,916)	(49,267)
Actuarial gains/losses	75,300	(80,091)
Benefits paid	35,902	29,387
Past service cost	-	(16)
At the end of the year	(1,152,980)	(1,217,684)

Reconciliation of present value of plan assets:

	2015 £000	2014 £000
At the beginning of the year	1,020,291	930,381
Interest income	37,808	41,741
Actuarial gains/losses	(2,617)	60,604
Contributions	18,563	16,952
Benefits paid	(35,902)	(29,387)
At the end of the year	1,038,143	1,020,291

SOPRA STERIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

31. PENSION COMMITMENTS (continued)

Composition of plan assets:

	2015 £000	2014 £000
Equities	342,077	337,479
Bonds	556,279	554,220
Property	115,997	103,066
Other	23,790	25,526
Total plan assets	1,038,143	1,020,291

	2015 £000	2014 £000
Fair value of plan assets	1,038,143	1,020,291
Present value of plan liabilities	(1,152,980)	(1,217,684)
Net pension scheme liability	(114,837)	(197,393)

The amounts recognised in profit or loss are as follows:

	2015 £000	2014 £000
Current service cost	(1,582)	(1,423)
Interest on obligation	(44,916)	(49,267)
Expected return on scheme assets	37,808	41,741
Past service cost	-	(16)
Total	(5,526)	(6,119)

Actual return on scheme assets	40,203	106,403
	40,203	106,403

The cumulative amount of actuarial gains and losses recognised in the Statement of Comprehensive Income was £160,050 thousand (2014: £232,733 thousand).

The Company expects to contribute £18,852 thousand to its Defined Benefit Pension Schemes in 2016.

SOPRA STERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

31. PENSION COMMITMENTS (continued)

	2015 £000	2014 £000
Analysis of actuarial gain / (loss) recognised in Other Comprehensive Income		
Actual return less interest income included in net interest income	2,395	64,662
Administrative expenses paid from plan assets	(5,012)	(4,058)
Experience gains and losses arising on the scheme liabilities	26,845	72,168
Changes in financial assumptions	48,455	(147,114)
Changes in demographic assumptions	-	(5,145)
	<u>72,683</u>	<u>(19,487)</u>

	2015	2014
The major assumptions used by the actuary were:		
Discount rate	3.87 %	3.65 %
CPI inflation assumption	2.01 %	2.07 %
RPI inflation assumption	3.01 %	2.97 %

Other Assumptions:

Future salary increases	3.01 %	2.97 %
Future pension increases	2.70 %	2.65 %
Member life expectancy at age 65 (male retiring today)	23.0 years	22.9 years
Member life expectancy at age 65 (female retiring today)	23.5 years	23.5 years
Member life expectancy at age 65 (male aged 45 retiring in 20 years)	24.4 years	24.3 years
Member life expectancy at age 65 (female aged 45 retiring in 20 years)	25.1 years	25.0 years

In both years, the mortality assumption is based on the S1P generational base tables with scaling of 89% for males and 110% for females. Future improvements to life expectancy are based on the CMI 2013 projection model with a 1% long-term improvement rate.

The estimated weighted average duration of the defined benefit obligation is 20 years.

Sensitivity analysis

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

SOPRA STERIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

31. PENSION COMMITMENTS (continued)

	0.25% increase £000	0.25% decrease £000
Discount rate		
Effect on defined benefit obligation: (Reduction)/increase	(53,385)	56,991
Inflation rate		
Effect on defined benefit obligation: Increase/(reduction)	48,601	(39,332)
	<u>48,601</u>	<u>(39,332)</u>

32. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2015, the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2015 £000	2014 £000
Land and buildings		
Not later than 1 year	3,080	3,948
Later than 1 year and not later than 5 years	10,141	7,923
Later than 5 years	19,404	1,055
Total	<u>32,625</u>	<u>12,926</u>
Other leases		
Not later than 1 year	1,227	2,651
Later than 1 year and not later than 5 years	674	2,249
Total	<u>1,901</u>	<u>4,900</u>

SOPRA STERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

33. RELATED PARTY TRANSACTIONS

During the year the Company entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding as at 31 December 2015, are detailed below. The Company also provides the payroll services to NHS Shared Business Services Limited and Shared Services Connected Ltd.

	Interest Income £000	Sales to Related Party £000	Purchases from Related Party £000	Amount Owing by Related Party £000	Amount owing to Related Party £000
Shared Services Connected Ltd	1,600	80,146	979	50,796	488
NHS Shared Business Services Limited	-	17,807	1,831	2,070	170
	<u>1,600</u>	<u>97,953</u>	<u>2,810</u>	<u>52,866</u>	<u>658</u>

In the year ended 31 December 2014 related party transactions were as listed below:

	Sales to Related Party £000	Purchases from Related Party £000	Amount Owing by Related Party £000	Amount owing to Related Party £000
Shared Services Connected Ltd	36,839	401	25,850	2,707
NHS Shared Business Services Limited	18,017	1,011	2,471	236
NHS Shared Employees Services Limited	-	-	-	1
	<u>54,856</u>	<u>1,412</u>	<u>28,321</u>	<u>2,944</u>

Sopra Steria Limited owns 51% of the shares in NHS Shared Employee Services Limited.
Sopra Steria Limited owns 50% of the shares in NHS Shared Business Services Limited.
Sopra Steria Limited owns 75% of the shares in Shared Services Connected Ltd.

34. CONTROLLING PARTY

The Company's immediate holding company is Sopra Steria Services Limited, a company registered in England and Wales. The Company's ultimate holding company at the end of the reporting period is Sopra Steria Group S.A., a company registered in France. Sopra Steria Group S.A. has included the Company and its immediate holding company in its group accounts, copies of which may be obtained from Sopra Steria Group S.A., PAE les Glaisins, 74940 Annecy-le-Vieux, France. They are also available on the Sopra Steria Group website at www.soprasteria.com.

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

SOPRA STERIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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35. FIRST TIME ADOPTION OF FRS 101

		As previously stated 1 January 2014 £000	Effect of transition 1 January 2014 £000	FRS 101 (as restated) 1 January 2014 £000	As previously stated 31 December 2014 £000	Effect of transition 31 December 2014 £000	FRS 101 (as restated) 31 December 2014 £000
	Note						
Fixed assets	1	83,619	-	83,619	125,361	1,718	127,079
Current assets	2	364,670	29,562	394,232	396,443	33,791	430,234
Creditors: amounts falling due within one year		(136,917)	-	(136,917)	(135,925)	-	(135,925)
Net current assets		227,753	29,562	257,315	260,518	33,791	294,309
Total assets less current liabilities		311,372	29,562	340,934	385,879	35,509	421,388
Creditors: amounts falling due after more than one year		(30,000)	-	(30,000)	(40,000)	-	(40,000)
Provisions for liabilities and pension liabilities	2	(162,332)	(37,178)	(199,510)	(173,611)	(39,559)	(213,170)
Net assets		119,040	(7,616)	111,424	172,268	(4,050)	168,218
Capital and reserves		119,040	(7,616)	111,424	172,268	(4,050)	168,218

SOPRA STERIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

35. FIRST TIME ADOPTION OF FRS 101 (continued)

		As previously stated 31 December 2014 £000	Effect of transition 31 December 2014 £000	FRS 101 (as restated) 31 December 2014 £000
Turnover		460,675	-	460,675
Operating Cost	3	460,675 (425,124)	- 1,695	460,675 (423,429)
Other operating income - rental income		1,697	-	1,697
Other operating charges		(320)	-	(320)
Exceptional item - Restructuring Cost		(891)	-	(891)
Operating profit		36,037	1,695	37,732
Income from investment		3,250	-	3,250
Interest receivable	2	3,834	1,848	5,682
Interest payable and similar charges		(3,474)	-	(3,474)
Other finance costs	4	(4,946)	(2,580)	(7,526)
Taxation	5	(6,874)	521	(6,353)
Profit on ordinary activities after taxation and for the financial year		27,827	1,484	29,311

Explanation of changes to previously reported profit and equity:

- 1 Under FRS 101, goodwill is not amortised, resulting in increased profit in 2014 of £1,718 thousand.
- 2 In accordance with IAS 19, the pension deficit is shown gross of deferred tax, with a corresponding deferred tax asset, resulting in increases to current assets and pension liabilities. In addition, amounts due from Group undertakings have been discounted to their fair value in accordance with IAS 39, resulting in a reduction in current assets and increased profit in 2014 of £1,848 thousand.
- 3 Operating costs are reduced by £1,718 thousand as a result of the non-amortisation of goodwill and increased by £23 thousand as a result of the increased pension service cost under IAS 19.
- 4 Other finance costs are increased by £2,580 thousand as the net interest on pension liabilities is higher under IAS 19 than UK GAAP.
- 5 Taxation for 2014 has increased by £521 thousand as a result of the above changes to pension costs.