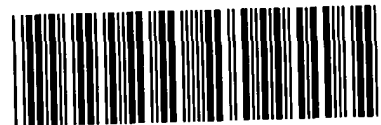

SOPRA STERIA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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SOPRA STERIA LIMITED

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SOPRA STERIA LIMITED

COMPANY INFORMATION

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

SOPRA STERIA LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

INTRODUCTION

The Directors are pleased to present their Strategic Report for the year ended 31 December 2018.

PRINCIPAL ACTIVITY

Sopra Steria Limited (the Company) has one of the most comprehensive portfolios of offerings on the market, spanning consulting and systems integration, the development of business and technology solutions, infrastructure management, cybersecurity and business process services (BPS).

Leading private and public organisations trust the Company to deliver successful transformation programmes that significantly improve operational performance and address the most complex and critical business challenges. The Company brings a market-leading combination of in-house IP and the latest innovation from its wide range of relationships across Europe's vibrant tech sector in a market defined by rapid digitalisation. The Company's experienced consultants and practitioners guide clients to concrete action with creative thinking and help them navigate the complex digital landscape shaping our collective future. In addition, the Company supports SMEs and local businesses, investment in communities, commitment to learning and employment opportunities for more people, with an emphasis on environmental performance which illustrates the Company's commitment to sustainability and social value. With over 44,000 employees in more than 25 countries, the Sopra Steria Group generated revenue of €4.1 billion in 2018.

BUSINESS REVIEW

Overall performance in 2018 was adversely impacted by significant external and internal factors. This was due to an extended period of political and economic uncertainty which caused many clients and prospects to delay decisions and to redirect funds, dampening forecasts and the new business pipeline. Overall, the UK software and IT services (SITS) market is experiencing significant pressure, emerging from shorter and smaller deal sizes, less offshoring and more automation, foreign exchange and cost inflation burdens, and higher demands from clients to take on risks and accept reductions in fees on renewal. By contrast, delivery of Cloud services has presented one major growth area. Against this background, the Company has continued to progress a major operational restructure, transitioning business towards consulting and services that are better aligned to the evolving needs of the market.

The Company's Government Sector saw a 71% increase in orders over 2017. A landmark deal was secured with UK Visas and Immigration (UKVI), for Sopra Steria to run a new service for people applying for a work or study visa, settlement or citizenship from within the UK. This service went live in quarter four 2018, is delivered from 57 locations around the UK including many local libraries and will expand further over 2019.

The Aerospace Defence and Security Sector had a strong year increasing 2017 orders by 76% to £99 million and double-digit revenue growth alongside improved profitability. The sector reasserted its competitiveness in services to police forces, winning several contracts for the new 'SMART' portfolio of services. The sector also introduced a state-of-the-art Open Source Intelligence tool which is now available on various frameworks for Policing, Defence and Government. The sector's prospects for 2019 remain strong, particularly in the Space, Aerospace and Cybersecurity markets.

2018 saw the Commercial Sector on a firm path to growth with a 12% increase in orders. Our shift into higher-value services coupled with closer customer engagement has significantly helped clients to transform their operational models. The sector has significantly increased its consulting work focusing on strategy, planning and implementation in areas such as Legacy Transformation, Insight through Data & Analytics and Intelligent Automation. This has led to new digital projects and increased business in a range of clients as well as strong renewal rates of existing contracts.

SOPRA STERIA LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

2018 was a year of transformation for the Financial Services Sector with changes in leadership and personnel. Focus for the year was on increasing profitability to ensure self-generated investment, legacy operation turnaround, a robust pipeline and preparing the business for future growth in 2019 and beyond. This approach has realised strong performance in all the sector's areas of strategic focus, particularly its Key Accounts, which have been driven by dedicated client directors securing an associated increase in consultancy revenue.

In a challenging year, the Company generated revenue of £399.5 million in 2018 (2017 as restated: £435.6 million). Loss before tax for the year was £16.1 million, compared to a profit of £12.5 million in the previous year (as restated). This loss includes costs of £9.6 million (2017: £3 million) incurred as a result of ongoing restructuring. The Company generated an operating profit of £6.6 million before restructuring costs and share-based payments in 2018 (2017 as restated: £16.6 million). The balance sheet remains strong, with cash and cash equivalents at £74.5 million (2017: £97.2 million) with pension deficit falling 27% to £127.3 million (2017: £174.1 million). This has resulted in an increase of £15.1 million in net assets.

REVIEW OF SUBSIDIARIES

Shared Services Connected Ltd (SSCL), the Company's subsidiary owned jointly with the Cabinet Office continued to make strong progress. SSCL delivers shared procurement, finance and HR services to UK Government customers including the Department for Work and Pensions, the Department for Environment, Food and Rural Affairs, the Environment Agency, the Home Office, the Ministry of Justice and the Metropolitan Police Service. In 2018, SSCL completed the full implementation of the Police Single Operating Platform (PSOP), a follow up to 2017's Single Operating Platform (SOP), Europe's largest multi-client shared service for government clients. The business is operating at scale, delivering 2018 revenue of £154 million (2017 as restated: £170 million) and is well positioned for further growth. In 2018, SSCL was selected by the Construction Industry Training Board (CITB), to run HR, Finance, Procurement, Technology and Change (Corporate Performance), Apprenticeship Processing and some Customer Operations.

NHS Shared Business Services Limited (NHS SBS), jointly owned by Sopra Steria and the Department of Health, continues to perform well and has recently made its first dividend payment to shareholders. It has invested heavily in new digital and automation services, opening the potential for significant new revenue streams and further improvements to customer productivity. The company has substantially improved its client Net Promoter Score of +30. (Net Promoter Score tracks customer perception and satisfaction with the brand.) During 2018, NHS SBS acquired the Back Office Healthcare business as part of the Anglia Support Partnership, adding 26 new clients to the company's portfolio. In addition to increasing volumes in its core business, this acquisition creates new opportunities for the company's added value consulting, procurement and digital businesses.

Sopra Steria Recruitment Limited (SSR) delivers fully managed recruitment services which help public and private sector organisations to enable their business performance and accelerate change. SSR provides people across all technical and business disciplines, tailored to clients' specific needs, in permanent, contract, interim and managed recruitment across all technical and business disciplines.

SSR revenue grew to £155.8 million in 2018 (2017: £142.8 million) and continues to be profitable, generating profit before tax of £4.2 million (2017: £5.9 million).

On 28 June 2019, the Company completed the disposal of 100% of the share capital of SSR. The principal reason for the disposal was the Company's strategic priorities focussing on scaling up its digital and consulting offering, and on strengthening its foothold in the private sector, particularly in financial services, (see note 26).

SOPRA STERIA LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

ENVIRONMENTAL MATTERS

Sopra Steria is committed to using technology and business disciplines to drive environmental sustainability, in our own organisation, with our clients, and in our supply chain. In 2018, the Company established a plan to reduce and eliminate single-use plastics from the business by the end of 2019.

Sopra Steria earned a performance score of A by CDP, a not-for-profit organisation that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. Sopra Steria is among the top 2% of companies participating in CDP's climate change programme and is featured on the 2018 Climate 'A' List. This award is in recognition of actions emerging from our strategy to cut emissions, mitigate climate risks and support a transition to a zero carbon economy and makes Sopra Steria a global leader in the corporate response to climate change.

The Company participates in the Group-wide Carbon Management Programme, to continually improve energy efficiency and procure more electricity from renewable, zero-carbon sources. The Company holds CarbonNeutral® certification for all premises (Office Space), Data Centres and Business Travel. Energy consumption and greenhouse gas emissions are verified to ISAE3000, and the Company's greenhouse gas emission reduction targets are approved by the Science-based Targets Initiative. The Company's environmental management system is certified to ISO14001:2015 and services to customers are low-carbon and certified CarbonNeutral®.

PRINCIPAL RISKS AND UNCERTAINTIES

Sopra Steria categorises risks into four categories: strategic, operational, compliance and financial instrument risk. The Company's risk committee meets monthly and evaluates the Company's risk appetite and follows the mitigation and action plans to manage ongoing risks.

The Company's business development strategy is geared towards securing new name customers to ensure a balanced portfolio of clients. This is in addition to Key Account Focus, by which the Company builds closer, higher and wider engagements with existing clients, expanding the scope of the services delivered to them.

With the failure of Carillion in early 2018, the Public Sector outsourcing market experienced a significant shock. This event had wide-spread ramifications across the industry, with Government setting actions to improve public trust in outsourcing, improve conditions for outsourcing in procurements and also adopt new policies such as Resilience Plans on its key contracts and with key suppliers. Sopra Steria has welcomed these improvements and taken a leading role collaborating with the Government on the development of new systems and governance. However, in some political quarters there is a negative tone towards outsourcing which could present a risk to future business.

The impact on business as a result of the ongoing 'Brexit' negotiations is uncertain. The Company has a CFO-led team assessing scenarios, probability and impact across 18 areas of the business from recruitment to share schemes. Much of this has a very minor impact and mitigations have been put in place where necessary. The picture is more mixed in terms of the impact to clients, and the resulting potential for fluctuations in business. The Company has gained some business across private and public sector from the realities of the Brexit process and the business foresees both positives and negatives in the medium- to long-term. It is expected that there may be further opportunities in the public sector in the medium- to longer-term emerging from the need for new technology solutions.

The value of the deficit in the defined benefit pension schemes increases or reduces year on year, in line with changes in accounting assumptions and the market value of assets in the schemes. Contributions to the schemes are made in accordance with a formal contribution schedule for each scheme which is agreed with the Trustees as part of the triennial valuation process. The next triennial valuations are due to be completed in 2020.

SOPRA STERIA LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Human resources risk

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

Effective hiring, skills and career management, continuity in key roles, and the sharing of the Company's culture and values are core issues that require constant attention. To mitigate the risk associated with dependence on key individuals, there is 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 the Competency Framework and Training Matrix which provide employees with a range of resources to help them develop their skills and capabilities.

Reflecting this strategy, the Company has put in place a major investment programme in HR, upgrading its hiring, skills and career management. The pillars of this programme include the creation of a great workplace, implementing strong talent development schemes and inspirational leadership programmes. In 2018, the Company brought in several cohorts of graduate recruits, who have undertaken comprehensive training and on-the-job learning across the business. We have put in place long-term policies to encourage women in the workplace and the promotion of talent.

Contract management

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

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

For fixed price contracts, there are risks associated with assessment of the scale of the work and technical solutions to be implemented and estimating the costs involved. Failure to meet contractual deadlines can result in late delivery penalties and/or budget overruns.

The Company performs pre-transaction due diligence and regular monitoring of actual performance defined organisational structures allowing for risks to be assessed and regulated at the pre-sales stage as well as in the life of contracts.

Innovation

Newer, better, cheaper and faster products and services are business critical issues for many of Sopra Steria's customers. The Company helps address this challenge by bringing innovation into their thinking, moving from concept to execution, through practical implementation of new ideas and methods into their business and IT processes. The Company's investment in innovation is raising the value of client's digital transformation programmes. In 2018, Sopra Steria placed a new emphasis on pioneering next-generation technology innovation through alliances with smaller, more disruptive partners as well as furthering the creation of owned intellectual property. These tactics, and existing core innovation capability, are accelerating customers' transformation journey through:

- Horizon Scanning – Comprehensive and continual analysis of the market and technology trends, offering customers a tailored approach to identifying areas of strategic focus and intelligence-based decision making.
- Digilab Experience – The Company offers a customer specific innovation service through its network of 21 global Digilabs, which provide customers immersion in a structured process that delivers results. The Company has taken 30 UK customers through this process in 2018, including pre-defined engagements and Proofs of Value, which are critical for customers being able to visualise and realise outcomes quickly.

SOPRA STERIA LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Legal and regulatory

The Company is primarily subject to regulation under UK legislation. Some clients' business activity is subject to special regulations, such as Financial Services, and contractual obligations often reflect this.

The Company is subject to generally applicable legislation including, anti-bribery, data protection and taxation.

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

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is mainly exposed to credit risk from credit sales. It is the Company's policy to assess the credit risk of new customers before entering contracts. Each new customer is individually analysed for credit worthiness before the payment and delivery terms and conditions are offered. Purchase limits are established for each customer.

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

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

Liquidity risk

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

The Board receives cash flow projections on a monthly basis as well as information regarding cash balances. These projections indicated that the Company is expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

Foreign exchange risk

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

FINANCIAL KEY PERFORMANCE INDICATORS

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

	2018 £000	2017 (as restated) £000
Turnover	399,546	435,577
Operating profit before restructuring costs and share-based payments	6,577	16,641
(Loss) / profit before tax	(30,989)	12,512

SOPRA STERIA LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

OTHER KEY PERFORMANCE INDICATORS

Sopra Steria believes that our diversity is a strength and the different backgrounds, experiences and perspectives within our workforce are rich sources of new ideas and innovation. The Company's goal is to provide a workplace where employees are valued as individuals, and where people have the opportunity to reach their full potential. Sopra Steria are also committed to encouraging gender parity in our own business, as well as in our industry. As of 2018, 24% of Sopra Steria's leaders are women, and the Company is enacting a fully comprehensive plan to improve gender balance. The UK Women's Network membership increased in 2018 and the Company hosted a number of International Women's Day events, as well as a Women in Technology conference where participants from across the Company worked together to shape the future of the Company's gender diversity plans.

In 2018, the Company continued its support for the TechTalent Charter, an industry-led initiative to increase the diversity of the technology workforce in the UK.

SUSTAINABILITY AND SOCIAL VALUE

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

A real sustainability strategy addresses economic, social and environmental issues. These include ensuring fair access to opportunities, fostering an engaged workforce and healthy communities, committing to ethical business practices, tackling climate change and the conservation of natural resources, all aligned with ensuring the business' economic growth and profitability.

Accordingly, Sopra Steria's sustainability programme incorporates best practice and adheres to globally recognised standards: it is aligned to the United Nations Sustainable Development Goals; The Company is a signatory to the UN Global Compact; appears on the Dow Jones Sustainability Index; and was rated Gold in the EcoVadis sustainability assessment.

The Company's programme has four pillars to address all aspects of sustainability: Environment (covered earlier), Community Impact, Marketplace and Workplace.

The Community Impact pillar's vision is to employ skills and resources as a Digital & IT Services business to transform lives for the better today, while investing in a shared future. Digital inclusion is about helping to equip everyone with the skills and access necessary to engage and benefit from the web and IT equipment essential to living well.

The dedication of the Company's employees to making a positive difference in the world underpins the steps which our organisation takes: all employees get one day's paid Company time to volunteer each year; the Company runs Community Matters Week, a campaign that champions volunteering and charitable fundraising; and provides matched funds and enabling grants to boost employee fundraising. In 2018, the Company launched the Tech for Good programme, which gives employees the opportunity to use their skills to help charities and social enterprises with key business challenges.

In 2018, Sopra Steria employees supported more than 140 community projects, volunteered an estimated 7,500 hours and donated nearly £270,000 to charity in support of almost 90 charities.

SOPRA STERIA LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

The Marketplace pillar focuses on sustainability in the supply chain, inclusive economic growth and supply chain diversity, ethical business practices and working with stakeholders – including customers – on sustainability. In 2018, the Company introduced a new Supplier Sustainability Code of Conduct, which applies to all Sopra Steria suppliers and requires them to meet good standards of economic, social and environmental sustainability. The Company continued to work with SME's, continuing our commitment to the Prompt Payment Code and running events for digital start-ups and small businesses to get insight into opportunities to work with Sopra Steria. The Company also continued to work with customers on their sustainability and social value objectives, for example by using Sopra Steria's Sustainable Service Delivery methodology to embed sustainability into IT service management, including in local employment and business opportunities, and community impact initiatives.

This report was approved by the Board on *23 Sept* 2019 and signed on its behalf.



Mr P A Cashmore
Company Secretary

SOPRA STERIA LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors present their report and the financial statements for the year ended 31 December 2018.

DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £29,578 thousand (2017 as restated: profit 11,607 thousand). No dividends were paid during the year (2017: £Nil) and the Directors do not recommend the payment of a final dividend.

DIRECTORS

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

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

SOPRA STERIA LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

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 return to profitable trade in the forthcoming year.

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

The vision will be achieved through a focus on accelerating our shift to a higher value-add business mix; innovating our offers through IP, platforms and digital technology; and managing and enriching our core business. This approach underpins all our sector and functional strategies. The strategic priorities to deliver this effectively are themed as: People, Partnerships, Key Clients, New and Disruptive Offers; Consultancy; and Financial Services.

The Company's key client priority, for example, is delivering a healthy pipeline of opportunities with current and potential new name clients across all of our market sectors. In 2018, we grew our Consulting business, creating closer engagements with our key clients to drive business growth. In 2018, we cemented our Digital strategy by formalising several practices (e.g. intelligent automation, artificial intelligence, customer experience).

In 2019, we plan to build a stronger partnering capability, especially focussed on SMEs and start-ups.

EMPLOYEE INVOLVEMENT

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

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

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

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

To encourage employees to participate directly in the Group's future development and performance, a new employee shareholding programme was launched in March 2016 and continues to date. In 2018 we joined the Employee Ownership Association (EOA), and are proud of our positive employee engagement and the relationships with our employee representatives. We have a successful employee recognition scheme, including from peers, where around two thousand employees in 2018 were rewarded for demonstrating our values.

SOPRA STERIA LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

DIVERSITY

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

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

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

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

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

MATTERS COVERED IN THE STRATEGIC REPORT

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

DISCLOSURE OF INFORMATION TO AUDITOR

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

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

SOPRA STERIA LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

EVENTS AFTER THE REPORTING PERIOD

It should be noted that the legal proceedings that had previously been initiated by the Steria Pension Plan Trustees before the High Court of Justice to confirm the validity and date of effect of an amendment agreed in 2006, for which Sopra Steria Limited acted as principal employer, have been settled by agreement between the Trustee, Sopra Steria Limited and the relevant members of the Steria Pension Plan.

Sopra Steria Limited and the Trustee had brought legal proceedings against certain former advisers to the Steria Pension Plan in relation to uncertainties which had arisen about the efficacy of the changes intended to be made in 2006 to benefits under the Plan. Those proceedings were settled on confidential terms acceptable to Sopra Steria Limited, the Trustee and the former advisers and without any admission of liability on the part of the former advisers.

On 28 June 2019, the Company completed the disposal of 100% of the share capital of Sopra Steria Recruitment Limited, a subsidiary whose principal activity is the provision of contract and permanent resources. The principal reason for the disposal was the Company's strategic priorities focussing on scaling up its digital and consulting offering, and on strengthening its foothold in the private sector, particularly in financial services. Sopra Steria Recruitment Limited was impaired to £4.6m and reclassified as held for sale at the 2018 year-end. The fair value of consideration to be received was measured at £6.2m of which £1.3m is contingent on the future performance of Sopra Steria Recruitment Limited.

AUDITOR

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 *23 September 2019* and signed on its behalf.



Mr P A Cashmore
Secretary

SOPRA STERIA LIMITED

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

Opinion

We have audited the financial statements of Sopra Steria Limited (the 'Company') for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

The impact of uncertainties due to Britain exiting the European Union on our audit

The Directors' view on the impact of Brexit is disclosed on page 4.

The terms on which the United Kingdom may withdraw from the European Union are not clear, and it is therefore not currently possible to evaluate all the potential implications to the Company's trade, customers, suppliers and the wider economy.

We considered the impact of Brexit on the Company as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible implications for the Company and this is particularly the case in relation to Brexit.

Conclusions relating to going concern

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

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

SOPRA STERIA LIMITED

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 9, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

SOPRA STERIA LIMITED

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

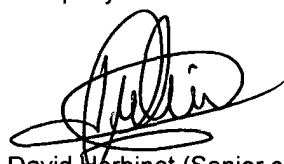
Auditor's responsibilities for the audit of the financial statements

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

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

Use of the audit report

This report is made solely to the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.



David Verbinet (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: 26 September 2019

SOPRA STERIA LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £000	As restated 2017 £000
Turnover	3	399,546	435,577
Administrative expenses		(393,345)	(419,325)
Other operating income	4	376	389
Share-based payments	5	(1,092)	(880)
Restructuring costs		(9,580)	(3,045)
OPERATING (LOSS) / PROFIT	6	(4,095)	12,716
Income from shares in group companies	10	52,556	5,000
Amounts written off investments	18	(77,631)	-
Interest receivable and similar income	11	6,554	5,861
Interest payable and similar expenses	12	(4,143)	(4,631)
Other finance costs	13	(4,230)	(6,434)
(LOSS) / PROFIT BEFORE TAX		(30,989)	12,512
Tax on profit	14	1,411	(905)
(LOSS) / PROFIT FOR THE FINANCIAL YEAR		(29,578)	11,607
OTHER COMPREHENSIVE INCOME FOR THE YEAR			
Items that may be reclassified to profit or loss:			
Cash flow hedges		42	(72)
Deferred tax relating to cash flow hedges		(9)	14
		33	(58)
Items that will not be reclassified to profit or loss:			
Actuarial gain on defined benefit schemes	29	35,451	62,687
Deferred tax charge regarding pension contribution excess		(7,949)	(12,770)
Current tax credit regarding pension contribution excess		1,922	2,113
		29,424	52,030
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(121)	63,579

The notes on pages 21 to 59 form part of these financial statements.

SOPRA STERIA LIMITED
REGISTERED NUMBER:04077975

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

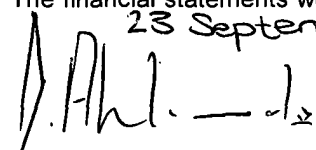
		2018	As restated 2017
	Note	£000	£000
FIXED ASSETS			
Goodwill	15	49,945	49,945
Other intangible assets	16	41,009	578
Tangible assets	17	8,326	5,101
Investments	18	37,743	119,974
		<u>137,023</u>	<u>175,598</u>
CURRENT ASSETS			
Assets held for sale		4,600	-
Debtors: amounts falling due after more than one year	19	241,426	244,627
Debtors: amounts falling due within one year	19	95,777	124,934
Cash and cash equivalents		74,500	97,167
		<u>416,303</u>	<u>466,728</u>
Creditors: amounts falling due within one year	20	(136,246)	(166,449)
NET CURRENT ASSETS		<u>280,057</u>	<u>300,279</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>417,080</u>	<u>475,877</u>
Creditors: amounts falling due after more than one year	21	(68,357)	(80,715)
		<u>348,723</u>	<u>395,162</u>
PROVISIONS FOR LIABILITIES			
Provisions	23	(10,221)	(10,052)
		<u>(10,221)</u>	<u>(10,052)</u>
NET ASSETS EXCLUDING PENSION LIABILITY		<u>338,502</u>	<u>385,110</u>
Pension asset	29	1,779	3,768
Pension liabilities	29	(129,094)	(177,841)
NET ASSETS		<u><u>211,187</u></u>	<u><u>211,037</u></u>

SOPRA STERIA LIMITED
REGISTERED NUMBER:04077975

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2018

	Note	2018 £000	As restated 2017 £000
CAPITAL AND RESERVES			
Called up share capital	25	63,053	63,053
Share premium account		205,927	205,927
Accumulated losses		(57,793)	(57,943)
SHAREHOLDER'S FUNDS		211,187	211,037

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

23 September 2019


Mr D S Ahluwalia
Director

The notes on pages 21 to 59 form part of these financial statements.

SOPRA STERIA LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital (note 25) £000	Share premium account £000	Accumulated losses £000	Total equity £000
At 1 January 2018 (as previously stated)	63,053	205,927	(57,565)	211,415
Change in accounting standards - IFRS 15	-	-	(378)	(378)
At 1 January 2018 (as restated)	63,053	205,927	(57,943)	211,037
COMPREHENSIVE INCOME FOR THE YEAR				
Loss for the year	-	-	(29,578)	(29,578)
Cash flow hedges	-	-	42	42
Actuarial gains on pension scheme	-	-	35,451	35,451
Deferred tax regarding cash flow hedges	-	-	(9)	(9)
Deferred tax charge regarding pension contribution excess	-	-	(7,949)	(7,949)
Current tax credit regarding pension contribution excess	-	-	1,922	1,922
OTHER COMPREHENSIVE INCOME FOR THE YEAR	-	-	29,457	29,457
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	(121)	(121)
Fair value adjustment to group loan	-	-	(989)	(989)
Share-based payments	-	-	1,092	1,092
Deferred tax on fair value adjustment to group loan	-	-	168	168
AT 31 DECEMBER 2018	63,053	205,927	(57,793)	211,187

The notes on pages 21 to 59 form part of these financial statements.

SOPRA STERIA LIMITED

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

	Called up share capital (note 25) £000	Share premium account £000	Accumulated losses £000	Total equity £000
At 1 January 2017 (as previously stated)	63,053	205,927	(113,693)	155,287
Change in accounting standards - IFRS 15	-	-	(885)	(885)
At 1 January 2017 (as restated)	63,053	205,927	(114,578)	154,402
COMPREHENSIVE INCOME FOR THE YEAR				
Profit for the year	-	-	11,607	11,607
Cash flow hedges	-	-	(72)	(72)
Actuarial gains on pension scheme	-	-	62,687	62,687
Deferred tax regarding cash flow hedges	-	-	14	14
Deferred tax charge regarding pension contribution excess	-	-	(12,770)	(12,770)
Current tax credit regarding pension contribution excess	-	-	2,113	2,113
OTHER COMPREHENSIVE INCOME FOR THE YEAR	-	-	51,972	51,972
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	63,579	63,579
Fair value adjustment to group loan	-	-	(7,824)	(7,824)
Share-based payments	-	-	880	880
AT 31 DECEMBER 2017	63,053	205,927	(57,943)	211,037

The notes on pages 21 to 59 form part of these financial statements.

SOPRA STERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

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

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

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

The financial statements have been prepared on the historical cost basis, except employee benefits and financial instruments which are measured in terms of IAS 19 'Employee Benefits' and IFRS 9 'Financial Instruments' respectively. The principal accounting policies set out below have been consistently applied to all periods presented.

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

The financial statements contain information about the Company as an individual company and do not contain consolidated information as the parent of a group. The Company is exempt from preparing group accounts under s400 of the Companies Act 2006 as at 31 December 2018, its ultimate parent, Sopra Steria Group S.A., prepares and publishes consolidated accounts which include the results of the Company and are publicly available.

The following principal accounting policies have been applied:

SOPRA STERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. ACCOUNTING POLICIES (CONTINUED)

1.2 Financial reporting standard 101 - reduced disclosure exemptions

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

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

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

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

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

1.3 New and revised IFRS

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

	EU effective date, periods beginning on or after
Conceptual Framework for Financial Reporting 2018	1 March 2018
Amendments regarding the interaction of IFRS 4 and IFRS 9	1 January 2018
Annual Improvements 2014–2016 Cycle (clarifying certain fair value measurements)	1 January 2018
IFRS 9 Financial Instruments (IFRS 9)	1 January 2018

The effect of the adoption of IFRS 15 Revenue from Contracts with Customers is shown in note 1.5.

SOPRA STERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. ACCOUNTING POLICIES (CONTINUED)

1.4 Going concern

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

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

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

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

1.5 Impact of new International Reporting Standards, Amendments and Interpretations

IFRS 9

There have been no material impacts on the Company's financial statements as a result of adopting IFRS 9 from 1 January 2018.

IFRS 15

From 1 January 2018, the Company has applied IFRS 15 retrospectively, using the following practical expedients:

- the Company has not restated completed contracts beginning and ending in the same year, or contracts completed by 1 January 2017.
- for contracts with variable consideration, the Company has used the transaction price at the date the contract was completed rather than estimating variable consideration amounts in the comparative reporting year.
- the Company has not retrospectively restated contracts where modifications took place before 31 December 2016. Instead, the Company has reflected the aggregate effect of all of the modifications that occurred before 31 December 2016 when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price to the satisfied and unsatisfied performance obligations.
- the Company has not disclosed the amount of the transaction price allocated to the remaining performance obligations nor detailed when it expects to recognise that amount as revenue.

The following tables summarise the impacts of adopting new reporting standards on the Company's financial statements.

SOPRA STERIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

1. ACCOUNTING POLICIES (CONTINUED)

Impact of new International Reporting Standards, Amendments and Interpretations

1.5 (continued)

Statement of Financial Position (extract)

	31 December 2017 As originally presented £000	IFRS 15 adjustments £000	31 December 2017 As restated £000
CURRENT ASSETS			
Inventories	395	(395)	-
Debtors: amounts falling due within one year	124,917	17	124,934
TOTAL CURRENT ASSETS	467,106	(378)	466,728
TOTAL ASSETS LESS CURRENT LIABILITIES	476,255	(378)	475,877
NET ASSETS	211,415	(378)	211,037
CAPITAL AND RESERVES			
Accumulated losses	(57,565)	(378)	(57,943)
	211,415	(378)	211,037

SOPRA STERIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

1. ACCOUNTING POLICIES (CONTINUED)

Impact of new International Reporting Standards, Amendments and Interpretations

1.5 (continued)

Statement of Comprehensive Income (extract)

	2017 As originally presented £000	IFRS 15 adjustments £000	2017 As restated £000
Turnover	445,424	(9,847)	435,577
	445,424	(9,847)	435,577
Administrative costs	(429,800)	10,475	(419,325)
OPERATING PROFIT	12,088	628	12,716
PROFIT BEFORE TAX	11,884	628	12,512
Tax on profit	(784)	(121)	(905)
PROFIT FOR THE FINANCIAL YEAR	11,100	507	11,607
	63,072	507	63,579
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	63,072	507	63,579

Restatements have been made for the following reasons:

- a) Hardware procurement contracts where the Company previously recognised gross revenue have been re-assessed under IFRS 15 concluding the Company is acting as an agent, resulting in revenue previously recorded being netted against the related cost.
- b) Revenue previously taken over time has been amended to point in time under IFRS 15 due to the effect of contractual termination clauses.
- c) Transition of a customer onto the Company's systems and processes was previously treated as separable, but under IFRS 15 is not considered a distinct performance obligation. The transaction price is instead allocated to the run element of the contract, resulting in it being spread over the expected contract term.

SOPRA STERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. ACCOUNTING POLICIES (CONTINUED)

1.6 Revenue

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

The Company has contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company adjusts the transaction prices of these contracts for the time value of money.

Sale of goods

Revenue from the sale of goods is recognised on the satisfaction of performance obligations, such as the transfer of a promised good, identified in the contract between the Company and the customer.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Rendering of services

Revenue from providing services is recognised in the accounting period in which the services are rendered.

For fixed-price subscription or maintenance contracts, revenue is recognised on the output method, based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

For fixed price deliverable contracts where revenue can be taken over time, revenue is recognised using the input method based on the stage of completion. The stage of completion is determined as the proportion of costs incurred (including labour hours) to total costs expected to be incurred.

Where contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. For service contracts including a goods element, revenue for the separate good is recognised at a point in time when the good is delivered, the legal title has passed and the customer has accepted the good.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

The Company often enters into contracts that have delivery penalties such as service credits and milestone delay payments. At contract inception, the Company uses its accumulated historical experience to estimate the expected reduction in the transaction price for such refunds. This assessment is updated regularly once the contract has commenced with any subsequent remeasurement being treated as an adjustment to revenue.

SOPRA STERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. ACCOUNTING POLICIES (CONTINUED)

1.7 Income from investments

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

1.8 Goodwill

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

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

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

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

1.9 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.

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 estimated useful lives range as follows:

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

SOPRA STERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. ACCOUNTING POLICIES (CONTINUED)

1.10 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.

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

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

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

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

1.11 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit (CGU) to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

SOPRA STERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. ACCOUNTING POLICIES (CONTINUED)

1.12 Assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale and the sale is considered highly probable. Held for sale assets are measured at the lower of their carrying amount and fair value less cost to sell. They are presented separately from other assets in the Statement of Financial Position.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less cost to sell. No depreciation is charged while they are classified as held for sale.

1.13 Operating leases: lessee

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

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

1.14 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

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

1.15 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.

SOPRA STERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. ACCOUNTING POLICIES (CONTINUED)

1.16 Financial instruments

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

Financial assets

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

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

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

Financial liabilities

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

Financial liabilities at amortised cost include amounts owed to group undertakings, bank overdrafts, obligations under finance lease contracts and trade creditors.

SOPRA STERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. ACCOUNTING POLICIES (CONTINUED)

1.17 Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

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

Foreign exchange gains and losses are presented in the Statement of Comprehensive Income within administrative expenses.

1.18 Finance costs

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

1.19 Share-based payments

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

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

Where the terms and conditions of options / awards are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to Statement of Comprehensive Income over the remaining vesting period. Where equity instruments are granted to persons other than employees, the Statement of Comprehensive Income is charged with fair value of goods and services received.

SOPRA STERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. ACCOUNTING POLICIES (CONTINUED)

1.20 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in creditors 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. Twice annually the Company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in Pounds Sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

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

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

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

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

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

1.21 Interest income

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

SOPRA STERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. ACCOUNTING POLICIES (CONTINUED)

1.22 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

1.23 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 Statement of Comprehensive Income 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, as well as the time value of money.

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

Onerous contracts

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

Restructuring

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

SOPRA STERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. ACCOUNTING POLICIES (CONTINUED)

1.24 Current and deferred taxation

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

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

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

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

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

1.25 Acquisition of trade and assets

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

1.26 Research and development

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

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

SOPRA STERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

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

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

Defined benefit pension obligations

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

Contractual issues

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

Investment valuation

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

Long-term fixed price contracts

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

The Company often enters into contracts that require significant upfront costs to enable delivery over the contract term. These include mobilisation, transition and contract specific system costs. Sometimes these costs are spread over the term of the contract through systematic amortisation of costs. The costs carried forward are assessed each year-end against the estimated profitability of the contract as a whole. This assessment is inherently judgemental, due to assumptions being made in respect of future events such as achievement of KPIs and future contract milestones.

Impairment of goodwill

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

SOPRA STERIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. JUDGMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

Taxation

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

3. TURNOVER

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

	2018 £000	<i>As restated</i> 2017 £000
Computing, consultancy and business processing outsourcing services	396,877	434,433
Sale of goods	2,669	1,144
	<u>399,546</u>	<u>435,577</u>

Analysis of turnover by country of destination:

	2018 £000	<i>As restated</i> 2017 £000
United Kingdom	394,051	429,863
Rest of Europe	4,496	5,181
Rest of the world	999	533
	<u>399,546</u>	<u>435,577</u>

4. OTHER OPERATING INCOME

	2018 £000	2017 £000
Other operating income	376	389
	<u>376</u>	<u>389</u>

SOPRA STERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

5. SHARE-BASED PAYMENTS

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

Matching and Partnership Shares (SIP)

The current SIP was introduced in March 2016. For the year ended 31 December 2018, the Company set a matching level of one matching share for every one partnership share purchased.

Leverage Scheme

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

Free Performance Shares

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

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

The Company's share-based payment arrangements are entirely equity-settled and resulted in an expense in the year of £1,092 thousand (2017: £880 thousand).

6. OPERATING (LOSS)/PROFIT

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

	2018 £000	2017 £000
Depreciation of tangible fixed assets	1,710	1,723
Amortisation of intangible assets	2,867	529
Exchange differences	73	(28)
Share-based payments	1,092	880
Operating lease rentals		
- Land and buildings	4,348	4,378
- Other operating leases	1,179	1,149

SOPRA STERIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

7. AUDITOR'S REMUNERATION

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

	2018	2017
	£000	£000
Fees for the audit of the Company	<u>222</u>	<u>203</u>

8. EMPLOYEES

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

	2018	2017
	£000	£000
Wages and salaries	151,107	164,387
Social security costs	17,434	18,562
Cost of defined benefit scheme	6,983	1,784
Cost of defined contribution scheme	20,357	21,222
Share-based payments	1,092	880
	<u>196,973</u>	<u>206,835</u>

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

	2018	2017
	No.	No.
Operations	2,749	2,994
Administration	439	450
	<u>3,188</u>	<u>3,444</u>

SOPRA STERIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

9. DIRECTORS' REMUNERATION

	2018	<i>2017</i>
	£000	<i>£000</i>
Directors' emoluments	1,119	<i>1,184</i>

The highest paid Director received remuneration of £587 thousand (2017: £656 thousand).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £Nil (2017: £Nil).

The value of the Company's contributions paid to a defined benefit pension scheme in respect of the highest paid Director amounted to £Nil (2017: £Nil).

During the year, no Directors received shares under long-term incentive schemes (2017: 2).

The total accrued pension provision of the highest paid Director at 31 December 2018 amounted to £19 thousand (2017: £18 thousand).

The Directors of the Company are also directors of other group companies in the United Kingdom. The Directors received total remuneration for the year from these companies of £1,118,524 (2017: £1,183,802), all of which was paid by the Company. The Directors do not believe that it is practicable to apportion this amount between their services as Directors of the Company and their services as Directors of fellow subsidiary companies.

10. INCOME FROM INVESTMENTS

	2018	<i>2017</i>
	£000	<i>£000</i>
Dividend received from Sopra Steria Recruitment Limited	4,500	<i>5,000</i>
Dividend received from Sopra Group Holding Ltd	48,000	<i>-</i>
Dividend received from Steria BSP Limited	56	<i>-</i>
	52,556	<i>5,000</i>

SOPRA STERIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

11. INTEREST RECEIVABLE AND SIMILAR INCOME

	2018	2017
	£000	£000
Interest receivable from group companies	5,930	5,675
Other interest receivable	624	186
	6,554	5,861

12. INTEREST PAYABLE AND SIMILAR EXPENSES

	2018	2017
	£000	£000
Discount unwind on provisions	188	194
Other loan interest payable	-	86
Loans from group undertakings	3,456	3,973
Finance leases and hire purchase contracts	48	-
Other group interest payable	446	375
Other interest payable	5	3
	4,143	4,631

13. OTHER FINANCE COSTS

	2018	2017
	£000	£000
Interest income on pension scheme assets	31,819	32,250
Net interest on net defined benefit liability	(36,049)	(38,684)
Net interest on pension fund liabilities	(4,230)	(6,434)

SOPRA STERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

14. TAXATION

	2018 £000	<i>As restated</i> 2017 £000
CORPORATION TAX		
Current tax on losses / profits for the year	(1,478)	936
Adjustments in respect of previous periods	127	(323)
TOTAL CURRENT TAX	(1,351)	613
DEFERRED TAX		
Deferred tax - current year	(14)	334
Deferred tax - prior year	(46)	(42)
TOTAL DEFERRED TAX	(60)	292
TAXATION ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES	(1,411)	905

SOPRA STERIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

14. TAXATION (CONTINUED)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher than (2017: *lower than*) the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%). The differences are explained below:

	2018 £000	As restated 2017 £000
(Loss)/profit on ordinary activities before tax	<u>(30,989)</u>	<u>12,512</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	(5,888)	2,409
EFFECTS OF:		
Expenses not deductible for tax purposes	570	406
Non-taxable dividend income	(9,985)	(963)
Share-based payments	207	169
Tax relief on share awards	(744)	(252)
Tax relief on shares transferred to SIP	(178)	(214)
Rate difference regarding deferred tax	(225)	(285)
Non-deductible impairment of investments	14,751	-
Adjustments to tax charge in respect of prior periods	81	(365)
TOTAL TAX (CREDIT) / CHARGE FOR THE YEAR	<u>(1,411)</u>	<u>905</u>

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

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

SOPRA STERIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

15. GOODWILL

	2018 £000
COST	
At 1 January 2018	58,532
AT 31 DECEMBER 2018	58,532
AMORTISATION	
At 1 January 2018	8,587
AT 31 DECEMBER 2018	8,587
NET BOOK VALUE	
AT 31 DECEMBER 2018	49,945
<i>At 31 December 2017</i>	49,945

SOPRA STERIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

16. INTANGIBLE ASSETS

	Software and licenses £000	Other intangible assets £000	Internally developed software £000	Total £000
COST				
At 1 January 2018	16,702	16	1,362	18,080
Additions - external	39,869	-	-	39,869
Additions - internal	-	-	3,429	3,429
Disposals	(7,965)	-	-	(7,965)
At 31 December 2018	<u>48,606</u>	<u>16</u>	<u>4,791</u>	<u>53,413</u>
AMORTISATION				
At 1 January 2018	16,377	8	1,117	17,502
Charge for the year	2,471	1	395	2,867
On disposals	(7,965)	-	-	(7,965)
At 31 December 2018	<u>10,883</u>	<u>9</u>	<u>1,512</u>	<u>12,404</u>
NET BOOK VALUE				
At 31 December 2018	<u><u>37,723</u></u>	<u><u>7</u></u>	<u><u>3,279</u></u>	<u><u>41,009</u></u>
At 31 December 2017	<u><u>325</u></u>	<u><u>8</u></u>	<u><u>245</u></u>	<u><u>578</u></u>

SOPRA STERIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

17. TANGIBLE FIXED ASSETS

	Long-term leasehold property £000	Leasehold improvements £000	Plant and machinery £000	Total £000
COST				
At 1 January 2018	1,780	4,236	30,440	36,456
Additions	-	-	4,952	4,952
Disposals	-	(4,236)	(3,798)	(8,034)
At 31 December 2018	1,780	-	31,594	33,374
DEPRECIATION				
At 1 January 2018	110	4,236	27,009	31,355
Charge for the year on owned assets	-	-	1,560	1,560
Charge for the year on financed assets	49	-	101	150
Disposals	-	(4,236)	(3,781)	(8,017)
At 31 December 2018	159	-	24,889	25,048
NET BOOK VALUE				
At 31 December 2018	1,621	-	6,705	8,326
At 31 December 2017	1,670	-	3,431	5,101

SOPRA STERIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

18. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £000
COST	
At 1 January 2018	121,728
Disposals	(1,754)
Transfers to assets held for sale	(40,000)
At 31 December 2018	<u>79,974</u>
IMPAIRMENT	
At 1 January 2018	1,754
Charge for the period	77,631
Impairment on disposals	(1,754)
Impairment on transfers	(35,400)
At 31 December 2018	<u>42,231</u>
NET BOOK VALUE	
At 31 December 2018	<u><u>37,743</u></u>
<i>At 31 December 2017</i>	<u><u>119,974</u></u>

The impairment charge for the period includes £42.2 million relating to non-trading subsidiary undertakings which have paid out dividends during the year. The payment of dividend is deemed a permanent diminution in value so these subsidiaries' carrying values have been written down to the net assets shown in their Statement of Financial Position.

£35.4 million of the impairment charge relates to a subsidiary undertaking which has been reclassified as held for sale. The asset has been written down to its recoverable amount, being fair value less costs of disposal.

The whole impairment charge has been recognised in amounts written off investments in the Statement of Comprehensive Income.

SOPRA STERIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

18. FIXED ASSET INVESTMENTS (CONTINUED)

SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the Company:

Name	Principal activity	Class of shares	Holding
Sopra Steria Recruitment Limited	Staff recruitment	Ordinary	100%
NHS Shared Business Services Limited	Business process outsourcing	Ordinary	50%
Shared Services Connected Ltd	Business process outsourcing	Ordinary	75%
Sopra Group Holding Ltd	Holding Company	Ordinary	100%
NHS Shared Employee Services Limited	Dormant	Ordinary	51%
Steria BSP Limited	Non-trading	Ordinary	100%
Steria (Retirement Plan) Trustees Limited	Corporate trustee	Ordinary	100%
Steria (Pension Plan) Trustees Limited	Corporate trustee	Ordinary	100%
Steria (Management Plan) Trustees Limited	Corporate trustee	Ordinary	100%
Steria Electricity Supply Pension Trustees Limited	Corporate trustee	Ordinary	100%
Steria (Pooled Investments) Trustees Limited	Corporate trustee	Ordinary	100%
Sopra Group Limited	Non-trading	Ordinary	100%

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

19. DEBTORS

	2018	2017
	£000	£000
DUE AFTER MORE THAN ONE YEAR		
Amounts owed by group undertakings	215,418	210,903
Deferred tax asset	26,008	33,723
Financial instruments	-	1
	241,426	244,627

SOPRA STERIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

19. DEBTORS (CONTINUED)

	2018	<i>As restated</i> 2017
	£000	£000
DUE WITHIN ONE YEAR		
Trade debtors	39,974	39,080
Amounts owed by group undertakings	6,229	41,165
Other debtors	2,379	2,651
Prepayments and accrued income	38,256	39,193
Amounts recoverable on long-term contracts	5,312	339
Tax recoverable	3,354	2,402
Financial instruments	-	48
Contract assets	273	56
	<u>95,777</u>	<u>124,934</u>

The Company's contract assets represent balances where enforceable right to consideration requires more than just the passage of time or administrative effort. Where a right to consideration exists, but the billing schedule leads to revenue in advance of invoicing, the Company shows such balances as accrued income.

Amounts recoverable on long-term contracts represent cost deferred in accordance with IFRS 15, where the related performance obligation is incomplete.

20. CREDITORS: Amounts falling due within one year

	2018	2017
	£000	£000
Bank overdrafts	7,274	-
Trade creditors	4,278	10,915
Amounts owed to group undertakings	31,225	87,685
Other taxation and social security	18,060	17,448
Obligations under finance lease and hire purchase contracts	694	-
Other creditors	20,576	10,089
Accruals and deferred income	54,139	40,312
	<u>136,246</u>	<u>166,449</u>

Of the Amounts owed to Group companies, £Nil (2017: £48.6 million) incurs interest at 1.5% above the Bank of England base rate. The remainder is interest free.

SOPRA STERIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

	2018	2017
	£000	£000
Net obligations under finance leases and hire purchase contracts	1,067	-
Amounts owed to group undertakings	40,707	80,715
Other creditors	26,583	-
	68,357	80,715

£40 million (2017: £80 million) of the Amount owed to Group undertakings is interest-bearing at rates of 3% to 5% above the Bank of England base rate and is repayable on 31 October 2020. The remainder is not interest-bearing and is expected to be settled over the period to October 2021.

22. HIRE PURCHASE AND FINANCE LEASES

Future minimum lease payments are as follows:

	2018	2017
	£000	£000
Within one year	694	-
Between 1-5 years	1,215	-
	1,909	-

The present value of minimum lease payments is analysed as follows:

	2018	2017
	£000	£000
Within one year	627	-
Between 1-5 years	1,134	-
	1,761	-

SOPRA STERIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

23. PROVISIONS

	Dilapidation Provision £000	Vacant Property Provision £000	Other provisions £000	Total £000
At 1 January 2018	5,404	314	4,334	10,052
Additions	13	-	802	815
Reversals	-	-	(234)	(234)
Interest unwind for discount	167	10	11	188
Utilised in year	-	(96)	(504)	(600)
AT 31 DECEMBER 2018	5,584	228	4,409	10,221

(a) Provision for dilapidation covers the estimated costs of returning a leasehold property to its original state on expiration of the lease, or demolition costs at the end of a building's useful life. The amount of the provision represents the Directors' best estimate of the costs which will be incurred. The Directors anticipate this provision will be used over the period until 2055.

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

(c) Other provisions includes £0.4 million for Permanent Healthcare Insurance (PHI) for employees, £1.7 million relating to other employee issues including reorganisation costs and potential staff costs following recent legislation and £2.3 million for various other contractual issues. The PHI provision is expected to be used by 2031 and the employee and other contractual issues within the next 3 years, although there is much uncertainty relating to the timing and amount of these outflows. The amount of the provision represents the Directors' best estimate of the costs which will be incurred to settle the obligations.

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24. DEFERRED TAXATION

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

	Accelerated capital allowances £000	Short-term timing differences £000	Imputed interest £000	Pension deficit £000	Total £000
At 1 January 2018	1,149	1,380	1,602	29,592	33,723
(Charged) / credited to profit or loss	320	57	(318)	(1,922)	(1,863)
(Charged) / credited to other comprehensive income	-	-	169	(7,949)	(7,780)
Reclassified to current tax	-	-	-	1,922	1,922
Other adjustments	-	6	-	-	6
At 31 December 2018	1,469	1,443	1,453	21,643	26,008

A potential deferred tax asset of £338 thousand (2017: £338 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.

25. SHARE CAPITAL

	2018 £000	2017 £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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

26. EVENTS AFTER THE REPORTING PERIOD

It should be noted that the legal proceedings that had previously been initiated by the Steria Pension Plan Trustees before the High Court of Justice to confirm the validity and date of effect of an amendment agreed in 2006, for which Sopra Steria Limited acted as principal employer, have been settled by agreement between the Trustee, Sopra Steria Limited and the relevant members of the Steria Pension Plan.

Sopra Steria Limited and the Trustee had brought legal proceedings against certain former advisers to the Steria Pension Plan in relation to uncertainties which had arisen about the efficacy of the changes intended to be made in 2006 to benefits under the Plan. Those proceedings were settled on confidential terms acceptable to Sopra Steria Limited, the Trustee and the former advisers and without any admission of liability on the part of the former advisers. A presentational change has been reflected in respect of this settlement of legal proceedings (see note 29).

On 28 June 2019, the Company completed the disposal of 100% of the share capital of Sopra Steria Recruitment Limited, a subsidiary whose principal activity is the provision of contract and permanent resources. The principal reason for the disposal was the Company's strategic priorities focussing on scaling up its digital and consulting offering, and on strengthening its foothold in the private sector, particularly in financial services. Sopra Steria Recruitment Limited was impaired to £4.6m and reclassified as held for sale at the 2018 year-end. The fair value of consideration to be received was measured at £6.2m of which £1.3m is contingent on the future performance of Sopra Steria Recruitment Limited.

27. CONTINGENT LIABILITIES

Letters of credit and performance bonds of £230 thousand (2017: £2.9 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 2018, the Company has provided Letters of Support for fellow subsidiaries. The Directors do not anticipate the Letters of Support will have an adverse impact on the future operating costs of the Company.

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

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

28. CAPITAL COMMITMENTS

The Company has capital commitments of £310 thousand for plant, machinery and equipment at the end of December 2018 (2017: £382 thousand).

SOPRA STERIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

29. PENSION COMMITMENTS

Defined contribution plan

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

As at 31 December 2018 the amount outstanding in respect of the Company's contribution to the Group's defined contribution schemes was £2,007,776 (2017: £1,762,500). Contributions made in respect of the year ended 31 December 2018 were £20,356,779 (2017: £21,217,328).

Defined benefit plan

The Company operates a number of Defined Benefit Pension Schemes.

The Company has retirement plans in four defined benefit pension schemes: The Steria Retirement Plan, The Steria Management Plan, The Steria Electricity Supply Pension Scheme (together the Steria Services Schemes) and The Steria Pension Plan. These are approved, funded pension schemes. The assets of the plans are held separately from those of the Company in trustee-administered funds. The pension costs of the plans are charged to the Statement of Comprehensive Income of the Company as described in note 1.20. These costs are determined by qualified actuaries on the basis of formal actuarial valuations using the projected unit method. With the exception of The Steria Retirement Plan, the plans are closed to new members and to future accrual.

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

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

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

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

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

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

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FOR THE YEAR ENDED 31 DECEMBER 2018**

29. PENSION COMMITMENTS (CONTINUED)

Reconciliation of present value of plan liabilities:

	2018 £000	2017 £000
At the beginning of the year	1,469,457	1,484,594
Current service cost	1,683	1,784
Interest cost	36,049	38,684
Actuarial gains/losses	(84,408)	25,091
Benefits paid	(72,299)	(80,696)
Past service cost	5,300	-
AT THE END OF THE YEAR	1,355,782	1,469,457

Reconciliation of fair value of plan assets:

	2018 £000	2017 £000
At the beginning of the year	1,295,384	1,235,404
Interest income	31,819	32,250
Actuarial gains/losses	(48,957)	87,778
Contributions	22,520	20,648
Benefits paid	(72,299)	(80,696)
AT THE END OF THE YEAR	1,228,467	1,295,384

A presentational change has been reflected above as explained in note 26.

SOPRA STERIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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29. PENSION COMMITMENTS (CONTINUED)

Composition of plan assets:

	2018 £000	2017 £000
Bonds	476,024	602,780
Equities	303,587	380,499
Property	137,330	138,621
Private credit	98,045	-
Infrastructure	83,182	75,487
Other	130,299	97,997
TOTAL PLAN ASSETS	1,228,467	1,295,384

	2018 £000	2017 £000
Fair value of plan assets	1,228,467	1,295,384
Present value of plan liabilities	(1,355,782)	(1,469,457)
NET PENSION SCHEME LIABILITY	(127,315)	(174,073)

As shown in Statement of Financial Position

Pension asset (Steria Electricity Supply Pension Scheme)	1,779	3,768
Pension liabilities	(129,094)	(177,841)
	(127,315)	(174,073)

The amounts recognised in profit or loss are as follows:

	2018 £000	2017 £000
Current service cost	(1,683)	(1,784)
Interest on obligation	(36,049)	(38,684)
Interest income on plan assets	31,819	32,250
Past service cost	(5,300)	-
TOTAL	(11,213)	(8,218)
Actual return on scheme assets	(12,953)	125,660

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**NOTES TO THE FINANCIAL STATEMENTS
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29. PENSION COMMITMENTS (CONTINUED)

An operating expense of £5.3 million (2017: £nil) has been recorded as a past service cost in respect of guaranteed minimum pension (GMP) benefits equalisation.

On 26 October 2018, the High Court ruled that defined benefit pension schemes should equalise benefits for men and women in relation to GMP. This ruling has industry-wide implications and is not just limited to the Company. The Company, supported by its external actuarial advisors, has performed an initial estimate of the impact of GMP, being an increase in pension liabilities of £5.3 million. This reflects the best estimate of the Company's liabilities at 31 December 2018, but further work is required to determine the actual amount.

The cumulative amount of actuarial losses recognised in the Statement of Comprehensive Income was £208,482 thousand (2017: £243,933 thousand).

The Company expects to contribute £23.2 million to its Defined Benefit Pension Schemes in 2019.

	2018	2017
	£000	£000
ANALYSIS OF ACTUARIAL LOSS RECOGNISED IN OTHER COMPREHENSIVE INCOME		
Actual return less interest income included in net interest income	(44,772)	93,410
Administrative expenses paid from plan assets	(4,185)	(5,632)
Experience gains and losses arising on the scheme liabilities	(4,417)	(5,151)
Changes in assumptions underlying the present value of the scheme liabilities	88,825	(19,940)
Actuarial gain on defined benefit schemes	35,451	62,687

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29. PENSION COMMITMENTS (CONTINUED)

The principal assumptions used by the actuary were:

	2018	2017
	%	%
Discount rate	2.89	2.55
CPI inflation assumption	2.15	2.11
RPI inflation assumption	3.15	3.11
Other assumptions		
Future salary increases	3.15	3.11
Member life expectancy at age 65 (male retiring today)	22.5 - 23.4 years	22.7 - 23.5 years
Member life expectancy at age 65 (female retiring today)	24.3 - 25.4 years	24.3 - 25.4 years
Member life expectancy at age 65 (male aged 45 retiring in 20 years)	23.9 - 24.7 years	24.1 - 24.9 years
Member life expectancy at age 65 (female aged 45 retiring in 20 years)	25.8 - 26.8 years	25.9 - 26.9 years

The mortality assumption is based on the S2P generational base tables (2017: S2P tables) with scaling of 93 - 96% for males (2017: 92 - 96%) and 85 - 95% for females (2017: 85 - 95%). Future improvements to life expectancy are based on the CMI 2017 projection model (2017: CMI 2016 model) with a 1.25% long-term improvement rate (2017: 1.25%).

The estimated weighted average duration of the defined benefit obligation is 18.0 years (2017: 19.1 years).

Sensitivity analysis

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

	0.25% increase £000	0.25% decrease £000
Discount rate		
Effect on defined benefit obligation: (Reduction) / increase	(61,607)	65,778
Inflation rate		
Effect on defined benefit obligation: Increase / (reduction)	51,843	(50,588)

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**NOTES TO THE FINANCIAL STATEMENTS
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30. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £000	2017 £000
Land and buildings		
Not later than 1 year	3,724	3,258
Later than 1 year and not later than 5 years	6,295	6,055
Later than 5 years	16,863	17,503
Total	<u>26,882</u>	<u>26,816</u>
Other Leases		
Not Later than 1 year	1,065	1,084
Later than 1 year and not later than 5 years	917	1,489
Total	<u>1,982</u>	<u>2,573</u>

31. RELATED PARTY TRANSACTIONS

During the year, the Company entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding as at 31 December 2018 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	1,861	46,879	56	34,514	179
NHS Shared Business Services Limited	-	13,771	409	1,214	78
Axway UK Limited	-	-	543	-	93
	<u>1,861</u>	<u>60,650</u>	<u>1,008</u>	<u>35,728</u>	<u>350</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

31 RELATED PARTY TRANSACTIONS (CONTINUED)

In the year ended 31 December 2017, related party transactions were as listed below:

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

Sopra Steria Limited and Axway UK Limited have a common ultimate beneficial owner.
Sopra Steria Limited owns 50% of the shares in NHS Shared Business Services Limited.
Sopra Steria Limited owns 75% of the shares in Shared Services Connected Ltd.

32. CONTROLLING PARTY

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

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

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