Registered number: 04077975

SOPRA STERIA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

SOPRA STERIA LIMITED

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COMPANY INFORMATION

DIRECTORS	Mr D S Ahluwalia Ms K M Clark-Bracco M P-Y Commanay Mr J J Moran Mr J N M Neilson (appointed 1 July 2020)
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

INTRODUCTION

The Directors are pleased to present their Strategic Report for the year ended 31 December 2019.

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 45,000 employees in more than 25 countries, the Sopra Steria Group generated revenue of €4.434 billion in 2019.

BUSINESS REVIEW

The market conditions in 2019 were volatile and challenging, particularly in the second half of the year. Brexit and political uncertainty contributed to delayed decision-making and programmes, especially in the public sector where the Company has a high proportion of business. Despite the market headwinds, the Company held its revenue position compared to 2018, and increased profitability.

In addition to short-term pressures, the UK software and IT services (SITS) market is experiencing structural change. According to analysts at TechMarketView, the overall market grew by 2% in 2018/19. However, growth in newer service areas - including consulting, digital, platforms and cyber - achieved growth of 23.5% in the same period. The Company has been investing heavily in these areas as part of the overall mission to be the Digital Transformation Partner of Choice. This includes opening a third DigiLab in the UK, adding to a network of 23 global innovation labs.

Growth and development of the consulting division moved on at pace with significant engagements with clients across the core vertical sectors. The Company continues to invest in new digital capabilities, both through attracting the right skills and investing in training and re-skilling of employees. New platform offerings have been developed in citizen services and identity verification.

In addition to organic growth in consulting, in February 2020, the Company announced the acquisition of CXPartners Limited, an industry-leading consultancy specialising in customer experience and user-centred design. This was a strategic move in response to an industry need to put the customer at the heart of digital services. The acquisition both expands the Company's customer experience offerings, and magnifies CXPartners' capabilities and reach.

The Company's Government Sector made significant progress in establishing and growing the ground-breaking new service with UK Visas and Immigration (UKVI), which the Company runs for people applying for a work or study visa, settlement or citizenship from within the UK. The sector also saw significant new business across central and local government.

The Aerospace, Defence and Security (ADS) sector further enhanced its secure communications and IT services, and continued to deliver critical services for the UK. Underpinning this in 2019, was the creation of a new dedicated Cyber Security practice, which has rapidly expanded in size and client base. The Company's leading position in command and control for the Police sector saw additional forces sign up to use the STORM platform; while in aerospace, new programmes of work emanated from the Company's long-term partnership with Airbus.

The Commercial Sector grew in revenue and profitability in 2019, with strong performance across retail, travel, transport, utilities and pharmaceutical sectors. The retail sector saw a major boost in orders with a deal to roll out store management systems across Europe and Asia.

The Financial Services sector strengthened its engagements in the banking, insurance and regulatory space, helping leading organisations transform operations and lower operating costs. A new 'Chemistry' initiative was launched in 2019, which saw the Company teaming up with innovative early stage FinTech companies to bring innovation and new solutions to the client base. In the regulatory sector, the Company designed, built, deployed and managed Europe's largest digital regulatory platform for MiFID II.

In the fourth quarter of 2019, the Financial Services and Commercial sectors were combined into one Private Sector division. The integration delivers greater scale and operational efficiency - enabling the Company to leverage key solutions and skills across common business problems to increase go-to-market strength.

Overall, the Company generated revenue of £399.1 million in 2019 (2018: £399.5 million). Profit before tax for the year was £0.1 million, compared to a loss of £31 million in the previous year (in 2018, prior to its disposal, the Compamy's investment in Sopra Steria Recruitment Limited was written down to its recoverable amount meaning an impairment of £35.4m). Profit before tax includes costs of £4.7 million (2018: £9.6 million) incurred as a result of ongoing restructuring. The Company generated an operating profit of £3.7 million before restructuring costs and share-based payments in 2019 (2018: £6.6 million).

The balance sheet remains strong, with cash and cash equivalents at £80.2 million (2018: £74.5 million) and the pension deficit falling 14% to £109.4 million (2018: £127.3 million). These have resulted in an increase of £0.6 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 (DWP), the Department for Environment, Food and Rural Affairs (Defra), the Environment Agency, the Home Office, the Ministry of Justice and the Metropolitan Police Service.

2019 was an exciting and successful year for SSCL, reporting revenues of £179.5 million (2018: £153.9 million) and achieving its growth targets. SSCL's operating profit for the year increased significantly to £30.0 million (2018: £7.7 million).

In 2018, SSCL signed contracts with the Construction Industry Training Board (CITB) and launched SSCL Consulting Services to develop a more strategic relationship with their clients. The consulting business has achieved great results in 2019 and generated more than £1.6 million in revenue.

In October 2019, SSCL secured a significant contract extension to 2023 with its original foundation clients – DWP, Defra and Cabinet Office (CO). It also announced its largest contract win to date, successfully winning the Future Services Delivery Contract with the Ministry of Defence (MoD). This was strategically important for SSCL, enabling it to create a third business unit - SSCL Defence.

SSCL has substantially grown its Resourcing Service in 2019, recruiting significant numbers of prison officers for the Ministry of Justice and supporting the Metropolitan Police Service in reaching the target of having over 31,000 Police Officers. SSCL also opened two new assessment centres for the Ministry of Justice to expand their Resourcing Services and in 2020 will work to support the UK Government's pledge to recruit 20,000 new police officers over the next three years, as well as supporting HM Prison Service's recruitment drive.

NHS Shared Business Services Limited (NHS SBS), jointly owned by the Company and the Department of Health is the leading provider of corporate services to the National Health Service (NHS). NHS SBS continued to provide at least one corporate service to over 100 NHS providers (40% of the market) and every NHS commissioning organisation in England. It means that, in total, NHS SBS delivered services to two thirds of the entire NHS in 2019. NHS SBS further strengthened its NHS footprint by launching a brand-new service, Innovation & Technology Services (ITS), to add to the Finance & Accounting (F&A), Procurement and Employment Services (ES) business lines.

One of the main focus areas in 2019 was to improve the experience of payroll and pensions clients. To this end, an ES Transformation Programme was launched, which has undertaken a thorough assessment of approximately 300 operational processes. This has focused on identifying opportunities to implement automation to bring about efficiencies, which improves the accuracy and overall service delivered to clients. Investment in Robotic Process Automation (RPA) has continued at pace in 2019. The F&A business alone has deployed almost one hundred robots, which are now carrying out hundreds of different repetitive processes. This has increased the accuracy and speed of many transactional processes, by eliminating human error and ensuring round-the-clock processing. As a result, NHS clients have benefitted from enhanced service quality and cost per transaction savings. It has been calculated that the project has so far freed up over 300,000 hours – enabling NHS SBS experts (e.g. data analysts) to provide greater value to customers.

In 2019, NHS SBS launched Edge4Health. Implemented free of charge, this bespoke digital procurement platform revolutionises the way the NHS buys products and services. Cambridgeshire and Peterborough NHS Foundation Trust, Cambridgeshire Community Services NHS Trust, Portsmouth Hospitals NHS Trust and Sheffield Teaching Hospitals NHS Foundation Trust were the first trusts to roll out the platform to more than 1,000 end users.

There has been similar success this year with the payroll app, MySBSPay, which has now been downloaded by more than 70,000 NHS employees. The app has saved almost 400 hours of NHS staff time every month, by reducing telephone queries like payslip clarifications, tax enquiries, pay day information requests and maternity pay questions. This has represented a huge time saving for hospitals up and down the country, freeing up resources to be redirected to frontline care.

On 28 June 2019, the Company completed the disposal of 100% of the share capital of Sopra Steria Recruitment Limited. 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.

RESEARCH AND DEVELOPMENT

As a major provider of digital technology and transformation services, the Company needs to invest in the ongoing research and development of its market offers to ensure they leverage the latest advances so as to offer the most value for our clients. We have invested significantly in digital technologies over the period including automation, artificial intelligence, robotics and virtual reality.

The Company also leverages the Group Sopra Steria Academy for training in new technologies such as blockchain and the Internet of Things.

NHS SBS continues to develop new disruptive offers to the market, investing heavily to enhance the service offering to the NHS, improving quality and reducing costs. A considerable sum has been invested in technology including new digital platforms, robotics, artificial intelligence and cloud. NHS SBS has been nominated and successful in a number of awards related to these investments.

SSCL continues its ongoing roll out of automation and technology enhancements to improve delivery of back office services and their cost to the UK government. This is done in combination with process experts to radically redesign new ways of doing things that benefit us all as taxpayers. An example is the introduction of virtual reality to increase the success of the costly prison officer recruitment process.

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.

COVID-19

The coronavirus (COVID-19) pandemic has disrupted global economies and created a highly volatile and uncertain environment. The extent to which the pandemic impacts the business, operations and financial results will depend on a range of evolving and interconnected factors that we may not be able to accurately predict, as they are outside of the Company's control. These include, but are not limited to:

- the duration of the pandemic;
- the length and scope of government actions taken in response to the pandemic;
- the effect on suppliers and partners, and their actions in response;
- the impact on clients and their demand for our services and solutions;
- clients' ability to pay;
- potential disruptions (e.g. travel restrictions) affecting the ability of the Company to deliver contractual commitments;
- the welfare of our staff.

A Gold, Silver and Bronze Team crisis management structure was enacted early (and is still in place) to ensure we were able to rapidly respond to prevailing government advice and the needs of our customers. The Gold team consists of Executive Committee members and Risk/Continuity experts.

Through this Crisis Management Structure, rapid decisions were made and enacted to lessen the impact of the above and enable forward planning:

1. office closures and mass enablement of our staff to work remotely to allow them to continue to deliver (critical corporate functions / services to our customers) reducing business / customer disruption;
2. ban on all but critical travel;
3. implementation of a site cleaning and disinfection program for those that have to attend offices;
4. repatriation of critical off-shore services back to the UK;
5. pragmatic and ongoing "partnership" based conversations with our customers;
6. use of Government relief schemes for our business;
7. future working "operating model" group to work through a phased return to a "new normal" including a greater focus on Resilience in the event of a "second peak" or comparable future pandemic.

No redundancies have been required as a result of the pandemic and the Company has made very limited use of furlough under the government's coronavirus job retention scheme.

The Company has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 31 December 2019 have not been adjusted to reflect their impact. The duration and impact of the pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.

Due to the above actions and the Company's digital capabilities, it is in a position to ensure the continuity of substantially all the services provided pior to the pandemic, as well as new services requested by its clients. However, there is a high degree of uncertainty in the coronavirus pandemic's global spread and duration.

Public Sector Outsourcing

With the failure of Carillion in early 2018, the Public Sector outsourcing market experienced a significant shock. This event continues to have wide spread ramifications across the industry.

The UK Government set out actions to rebuild public trust in outsourcing and to reduce risk and financial impact of failure. Working with industry, a Cabinet Office team analysed the root cause of poor procurements, issuing a Playbook of new policies to guide government buyers of complex outsourcing services on best practice. Stronger financial oversight is now mandated. Suppliers of critical contracts are required to produce Corporate Resolution Plans. In time, the performance of in-house and outsourced services will be subject to increased transparency.

The Company welcomes these improvements and has taken a leading role from the start, collaborating with the government and industry on shaping better partnership approaches and governance. The requirements do incur additional administrative burden for strategic suppliers, however, following best practice procurement policies will create more productive engagements for, and between, public and private sector in future. The Playbook promotes high standards, will improve outcomes and lower overall risk and cost.

Although successful, the programme is still in the early stages of roll-out, therefore it will be perhaps two or more years before the benefits are embedded. Meanwhile, in some political quarters there is a negative tone towards private sector and outsourcing which could present a risk to future business. The UK has a new Government, seeking to use public procurement to promote alignment to its new priorities. The Company will therefore need to continue to be at the heart of working with the Cabinet Office to monitor and assess the impact of these future changes and demands on the Company and its peers, and provide voice and evidence for improved approaches.

Brexit

The Withdrawal Agreement Bill (WAB) has passed into an Act of Parliament resulting in the UK leaving the EU as of 31 January 2020. The parties are now in the "Implementation Period", negotiating the nature of the future relationship. Although feasible that the UK may seek extensions, the Government has expressed strongly that it will not seek any extension. This leaves two scenarios that will come into play immediately after 31 December 2020. Either a UK-EU deal will be reached, or there will be no deal and the UK will fall back to WTO rules for EU trade. No-deal planning therefore remains necessary.

During the Implementation Period, much remains the same, as almost all EU law will continue to apply as previously, and potentially any new EU laws that are passed may also come into UK domestic law. The government has had to pass a large amount of secondary legislation, mostly in the form of statutory instruments, in order to make mainly technical legal changes to adjust EU law to work in the UK. This can be done at short notice and could possibly result in effects that will have impacts for the business. The Company therefore needs to track such legislative changes and their consequences during this period.

The impact on business of the future UK-EU relationship is uncertain and will likely have winners and losers. The Company has a CFO-led team tracking developments, assessing scenarios, probability and impact across 18 areas of the business from recruitment to data hosting and flows, supply chain, taxation and 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 demand. The Company has gained some Brexit-related business across private and public sector, but has also suffered from Brexit-related delays to decision-making. It is expected that there may now be further opportunities in the public sector in the medium- to longer-term emerging from the Government's likely direction towards public sector spending and the need for new technology solutions.

Taking the new status and information into account, the Company's updated analysis continues to indicate a neutral position for Sopra Steria Limited. It does not predict any substantial alterations to the business operations, staffing needs or projects nor any impact for the delivery of services to clients. However, it remains a risk and the Company continues to monitor the situation closely through links directly into Government and trade bodies and remains vigilant so that it can adapt to any developments as the detail is clarified during the next phase.

Pension Scheme

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. The main factors of volatility risk are fluctuations in discount rates and more generally the financial markets. 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 by the end of 2020.

Human resources risk

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

During this unprecedented time of the coronavirus pandemic, the Company's key priority, on top of maintaining its high level of client service, is the health and safety of its employees.

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 included the planning of a new flagship office, upgrading existing premises, implementing strong talent development schemes, inspirational leadership programmes and investing in new HR systems to create a better experience for employees. In 2019, the Company expanded its graduate programme, and 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 allowing for risks to be assessed and regulated at the pre-sales stage as well as during the life of contracts.

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.

The implementation of financing policy is largely centralised by the Company's utlimate parent. The Company has no external finanacing.

Foreign exchange risk

Foreign exchange risk arises when the Company enters into transactions denominated in a currency other than its functional currency. Through its ultimate parent company, the Company hedges any significant foreign exchange risk primarily through forward contracts.

FINANCIAL KEY PERFORMANCE INDICATORS

The Company's financial key performance indicators reflect its strategy and focus on consolidating and re-structuring the business for future growth and increased profitability

	2019	2018
	£000	£000
Turnover	399,075	399,546
Operating profit before restructuring costs and share-based payments	3,741	6,577
Profit / (loss) before tax	101	(30,989)

OTHER KEY PERFORMANCE INDICATORS

Sustainability and Social Value

The Company 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, the Company will create more value for customers, become a part of more sustainable communities and have more engaged employees.

We will do this by managing sustainability and social value across four key pillars - Community, Environment, Marketplace and Workplace – using recognised standards of best practice and effective governance, and engaging stakeholders to ensure that the programme delivers maximum benefits:

- Community: improving social mobility, by using digital technology and the business as forces for good, using the expertise of employees, to make a positive difference for individuals, communities and social-good organisations;
- Environment: using our ISO14001-certified Environmental Management System to manage resource consumption, greenhouse gas emissions and waste effectively, supporting global water initiatives and biodiversity activities;
- Marketplace: helping customers and suppliers to improve their sustainability, adopting ethical business practices, and supporting inclusive economic development;
- Workplace: promoting human and labour rights, and fighting against modern slavery; championing equality, diversity, inclusion and fairness; supporting employee engagement and professional development; and employee well-being.

Diversity

Sopra Steria believes that diversity is a strength and the different backgrounds, experiences and perspectives within the workforce are rich sources of new ideas and innovation. Through the workplace pillar of our sustainability programme, the Company champions diversity, inclusion and fairness; supporting employee engagement and professional development; and employee well-being. The vision is to create an inclusive culture that embraces difference as a source of creativity, innovation and competitive advantage. The Company wants every employee to feel valued, fairly treated, respected and able to do their best work to grow the business.

In 2019, three new diversity networks were set up, so there is now a family of four employee networks who work together to influence and support the efforts to become a more diverse and inclusive organisation.

The Networks are inclusive groups and are open to all employees who either identify with or are allies of the network purpose. Each network has a passionate executive sponsor who supports the development of the group and champions their agenda at senior levels. The networks cover women, disability, LGBT+ and race, religion and belief. These networks provide a forum where relevant issues and different perspectives can be openly discussed, to promote better understanding and raise awareness across our Company. They play an important role in creating a better experience for all.

The Company wants to make sure that it is reflecting its commitment to equality and diversity not only internally but also engaging with others in the industry on these issues. For example by providing leadership for the industry by participating in initiatives such as:

- The Tech Talent Charter, an industry-led initiative to increase the diversity of the technology workforce in the UK;
- TechUK's Women in Tech Council;
- Board of Scotland Women in Tech;
- TechUK's Assistive Technologies Board;
- Participating in the 30% Club cross-company mentoring programme, designed to develop a broader pipeline of women attaining leadership roles;
- Joining the DWP Disability Confident Scheme as a Disability Confident Committed Employer; and
- Becoming a signatory of the Business in the Community 'Race at Work' Charter.

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.

DIRECTORS' SECTION 172(1) STATEMENT OF COMPLIANCE WITH DUTY TO PROMOTE THE SUCCESS OF THE COMPANY

Section 172 of The Companies Act 2006 states that "a director of a company must act in the way he/she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

a. the likely consequences of any decision in the long-term;
b. the interests of the company's employees;
c. the need to foster the company's business relationships with suppliers, customers and others;
d. the impact of the company's operations on the community and the environment;
e. the desirability of the company maintaining a reputation for high standards of business conduct; and
f. the need to act fairly as between members of the company."

In discharging this section 172 duty the Directors of the Company, have regard to the factors set out above.
In accordance with our responsibilities and duties under section 172 of the Companies Act 2006, the following outlines our engagement with our stakeholders:

Customers

Customer focus is one of the Company's core values. The Company recognises that to thrive and succeed in a fast-changing competitive environment, it must regularly listen to the voice of its clients and adapt to rapidly address their issues and changing needs.

To support customer focus, the Company has implemented a Net Promoter Score system for the business, which allows for regular tracking and monitoring of client satisfaction.

The benefits of this systematic approach are to:
- help improve solutions and services;
- identify revenue at risk;
- create a first-class client experience;
- encourage a client first culture;
- demonstrate that Sopra Steria values its clients' opinions; and,
- build client loyalty and drive brand advocacy.

In addition to NPS, the Company has introduced Executive Account Directors (ECD) to key accounts, providing a single point of accountability. The ECD is responsible for building the overall relationship with the client focusing on understanding the client's priorities and challenges, identifying innovative solutions to address those needs.

Suppliers and partners

The Company has a supplier engagement programme which is focused on mitigating risk, reducing costs and providing best value to customers.

The Company is continually working to ensure its supply chain is:
- diverse and a source of innovation and economic opportunity for all;
- comprised of other businesses operating ethically and sustainably; and
- reducing carbon emissions and waste.

The Company's supply chain programme is an integral part of its sustainability strategy. By incorporating good principles of economic, social and environmental sustainability into the business, it can create more value for customers, contribute to more sustainable economies and communities, engage employees, and forge better relationships with stakeholders, including suppliers.

Electronic invoicing allows the Company better control over and visibility of supplier payments enabling it to be a signatory to the Prompt Payment Code, which sets standards for payment best practice. The code is administered by the Chartered Institute of Credit Management and covers prompt payment, as well as wider payment procedures.

The Company is committed to paying suppliers on time, within agreed terms, and to give clear guidance to those suppliers. It currently exceeds the government Payment Practices Reporting target to pay 95% of supplier invoices within 60 days. In accordance with the prompt payment code it has a two-stage complaints procedure to ensure issues are promptly resolved.

Employees

Employee Forum
The Sopra Steria UK Employee Forum provides a place where Sopra Steria UK Executive Board and elected employee representatives can exchange information and ideas. The meetings normally take place every eight weeks, with additional meetings scheduled if required.

The Forum is made up of representatives, elected every two years, to represent their colleagues from across the business, sectors, functions and professional communities. The Forum was set up to represent the interests of Sopra Steria UK staff and give them an independent voice, acting as a channel between the employees and company management. It provides a formal way for Sopra Steria senior management to consult the UK workforce on company-wide issues that influence UK business policy and practice, and on other issues such as changes in policies and practices.

The forum provides valued input on employee views and experiences to the management team, helping to improve the quality of the decision making which impacts colleagues' daily lives. In addition, it also acts on behalf of the workforce in matters where consultation is a legal requirement.

Internal Communucations
As part of workforce engagement initiatives, the Company runs an all-employee internal communications programme, which covers, but is not limited to, email and video newsletters, Yammer, TV screens, apps, and a monthly colleague cascade forum. As well as ensuring the employees are kept informed and engaged, feedback and questions are captured and addressed by appropriate leaders.

Employee surveys
The Company runs an employee survey programme, capturing feedback across a range of topics. The results, which are shared with the employee base, are used to help shape improvements.

The Company also participates in the confidential employee survey conducted by the Great Place to Work® Institute UK, which provides valuable feedback to help the Company focus on the issues that are important to employees.

Society and environment

The Company has continued to implement a strategy to limit the environmental impact of its businesses, develop responsible purchasing programmes, involve its entire value chain in a shared continuous improvement process, and incorporate sustainability principles into its service proposition.

The Company participates in assessments, indices and rankings of environmental, social and governance (ESG) performance. These provide a reflection to investors of non-financial performance and assurances that ESG risks and opportunities are managed to position the business well for the future. It has identified key areas where environmental objectives can contribute to the delivery of the global Sustainable Development Goals (SDGs) adopted by United Nations Member States in 2015.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

The Company made the 'A List' for the third consecutive year for Climate Action and Environmental Sustainability Leadership by CDP, a not-for-profit global organisation that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. The Company is among the top 2% of companies among the 8,400 participating in CDP's climate change programme.

The Company holds CarbonNeutral® certifications for all of its Offices, Data Centres and Business Travel. Energy consumption and greenhouse gas emissions are verified to ISAE3000. The Company's environmental management system is certified to ISO14001:2015 and services to customers are certified CarbonNeutral®.

In 2019, the Company worked with key partners in the supply chain to eliminate 242,097 items of single-use plastic and divert 100% away from landfill where we directly arrange for waste collections.

This report was approved by the board on 15 December 2020 and signed on its behalf.

Mr P A Cashmore
Company Secretary

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present their report and the financial statements for the year ended 31 December 2019.

DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £652 thousand *(2018: loss 29,578 thousand).*

No dividends were paid during the year (2018: £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 N M Neilson (appointed 1 July 2020)
Mr J P Torrie (resigned 1 July 2020)

FUTURE DEVELOPMENTS

We are moving into a world shaped by the COVID-19 pandemic which is likely to lead to a global recession. We are carefully evaluating our path forward in the short, medium and long-term to ensure we continue to operate in a way that prioritises the wellbeing of our staff and maintains continuity of services for our clients. We need to be mindful that the sudden shock to economies coupled with deep and lasting social change will have an impact on the demand for our skills and services. We must adjust accordingly.

Our vision, to bring the ever-growing power of digital transformation to benefit our clients and their customers, endures. Our strategic priorities around people, client-focus and differentiated, high-value offers remain fit for the future, with an emphasis on financial services, consulting and partnering in particular. We are on the flightpath to improving the health, resilience and value of the business through attention to the execution. The pace of technology change is increasing while COVID-19 has turned us overnight into a much more digitally-enabled world. We are scenario-planning to analyse the new threats and opportunities this presents to determine any fine tuning or specific actions that we must make to ensure future business success. Whatever scenario plays out, accelerating our shift to a higher value-add business mix through investment in intellectual property, platforms, integration of technologies, partners and people who can solve problems for our clients will be successful.

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 Sopra Steria (Retirement Benefits Scheme) Trustees Limited, 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 engagement with suppliers, customers and employees, its research and development policy, as well as its financial risk management policies, diversity policy (including a statement describing the Company's policy regarding the hiring, continuing employment and training, career development and promotion of disabled persons) and its exposure to financial instrument risk are included in the Strategic Report.

STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS

The Company does not apply a corporate governance code, but has a Delegation Of Authority Policy which covers the governance arrangements within the UK, together with (and within) the policies ordained by the ultimate parent company through the group management committeee. The Company has director representation on that committee. The Policy applies across all areas of the Company including its processes and all relevant business decisions, and provides for accountability and segregation of duties. The Company has not departed from the Policy.

DISCLOSURE OF INFORMATION TO AUDITOR

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

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

EVENTS AFTER THE REPORTING PERIOD

On 28 February 2020, the Company completed the acquisition of 100% of the share capital of CXPartners Limited, a company whose principal activity is the provision of consultancy services. The fair value of consideration was measured at £4.8 million (including £0.8 million of deferred consideration).

Subsequent to the end of the reporting period, the COVID-19 pandemic has led to changes in the Company's operations. Some of the measures already in place to protect our staff include office closures, social distancing to limit contagion, and remote working whenever possible.

We continue to communicate regularly with our employees and have implemented hygiene, travel, work and medical advice in line with government guidance across all sites.

The Company has determined that these events are non-adjusting subsequent events, therefore no adjustment has been made to the 2019 results in respect of COVID-19 and the effect on 2020 is yet to be fully clarified.

The Government has announced that it intends to cancel the proposed reduction in the rate of corporation tax referred to in note 14. As this cancellation had not been substantially enacted as at the end of the reporting period, the change has not been taken into account in these financial statements. The adjustment is expected to lead to an increase in equity of approximately £2,582 thousand, of which £394 thousand would improve profit and £2,188 thousand would credit other comprehensive income.

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 15 DECEMBER 2020 and signed on its behalf.

Mr P A Cashmore
Secretary

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 2019 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 2019 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.

Emphasis of matter – Going concern and the impact of the COVID-19 outbreak on the financial statements

In forming our opinion on the Company's financial statements, which is not modified, we draw your attention to the Directors' view on the impact of the COVID-19 as disclosed on pages 5 and 6, and the consideration in the going concern basis of preparation on page 27.

There has been a global pandemic from the outbreak of COVID-19. The impact of COVID-19 became significant in March 2020 and has caused widespread disruption to normal patterns of business activity across the world, including the UK.

The impact of COVID-19 continues to evolve and, based on the information available at this point in time, the Directors have assessed the impact of COVID-19 on the business and have concluded that adopting the going concern basis for preparation of the financial statements is appropriate.

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.

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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- 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 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.

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 14, 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.

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 Herbinet (Senior statutory auditor)

for and on behalf of

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

Date: 22/12/2020

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £000	*2018 £000*
Turnover	3	**399,075**	*399,546*
Administrative expenses		**(395,587)**	*(393,345)*
Other operating income	4	**253**	*376*
Share-based payments		**(1,057)**	*(1,092)*
Restructuring costs		**(4,656)**	*(9,580)*
OPERATING LOSS	6	**(1,972)**	*(4,095)*
Income from shares in group companies		**3,400**	*52,556*
Amounts written off investments		**-**	*(77,631)*
Interest receivable and similar income	11	**6,451**	*6,554*
Interest payable and similar expenses	12	**(4,417)**	*(4,143)*
Other finance costs	13	**(3,361)**	*(4,230)*
PROFIT/(LOSS) BEFORE TAX		**101**	*(30,989)*
Tax credit on profit/(loss)	14	**551**	*1,411*
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		**652**	*(29,578)*
OTHER COMPREHENSIVE INCOME FOR THE YEAR:			
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS:			
Cash flow hedges		**(31)**	*42*
Deferred tax regarding cash flow hedges		**6**	*(9)*
		(25)	*33*
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS:			
Actuarial (loss) / gain on defined benefit schemes		**(173)**	*35,451*
Deferred tax charge regarding pension contribution excess		**(3,041)**	*(7,949)*
Current tax credit regarding pension contribution excess		**3,070**	*1,922*
		(144)	*29,424*
OTHER COMPREHENSIVE INCOME NET OF TAX		**(169)**	*29,457*
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**483**	*(121)*

IFRS16 was adopted on 1 January 2019 without restating prior year figures. As a result the primary statements are shown under an IFRS16 basis for 2019 and an IAS17 basis for 2018. Note 1.5 provides a reconciliation between the two measures.

The notes on pages 25 to 64 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note		2019 £000		*2018 £000*
FIXED ASSETS					
Goodwill	15		**49,945**		*49,945*
Other intangible assets	16		**28,170**		*41,009*
Tangible assets	17		**32,313**		*8,326*
Investments	18		**37,743**		*37,743*
			148,171		*137,023*
CURRENT ASSETS					
Assets held for sale		**-**		*4,600*	
Debtors: amounts falling due after more than one year	19	**197,415**		*241,426*	
Debtors: amounts falling due within one year	19	**101,577**		*95,777*	
Bank and cash balances		**80,238**		*74,500*	
		379,230		*416,303*	
Creditors: amounts falling due within one year	20	**(159,441)**		*(136,216)*	
NET CURRENT ASSETS			**219,789**		*280,087*
TOTAL ASSETS LESS CURRENT LIABILITIES			**367,960**		*417,110*
Creditors: amounts falling due after more than one year	21		**(37,026)**		*(68,387)*
			330,934		*348,723*
PROVISIONS FOR LIABILITIES					
Provisions	22	**(9,718)**		*(10,221)*	
			(9,718)		*(10,221)*
NET ASSETS EXCLUDING PENSION LIABILITY			**321,216**		*338,502*
Pension asset	28		**1,719**		*1,779*
Pension liabilities	28		**(111,147)**		*(129,094)*
NET ASSETS			**211,788**		*211,187*

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2019

	Note	2019 £000	*2018* *£000*
CAPITAL AND RESERVES			
Called up share capital	24	**63,053**	*63,053*
Share premium account		**205,927**	*205,927*
Accumulated losses		**(57,192)**	*(57,793)*
Shareholder's funds		**211,788**	*211,187*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
15 DECEMBER 2020

D. Ahl...

Mr D S Ahluwalia
Director

The notes on pages 25 to 64 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital (note 24)	Share premium account	Accumulated losses	Total equity
	£000	£000	£000	£000
At 1 January 2019	63,053	205,927	(57,793)	211,187
Impact of adoption of IFRS 16 Leases	-	-	(939)	(939)
At 1 January 2019 (adjusted balance)	63,053	205,927	(58,732)	210,248
COMPREHENSIVE INCOME FOR THE YEAR				
Profit for the year	-	-	652	652
Cash flow hedges	-	-	(31)	(31)
Actuarial losses on pension scheme	-	-	(173)	(173)
Deferred tax regarding cash flow hedges	-	-	6	6
Deferred tax charge regarding pension contribution excess	-	-	(3,041)	(3,041)
Current tax credit regarding pension contribution excess	-	-	3,070	3,070
OTHER COMPREHENSIVE INCOME FOR THE YEAR	-	-	(169)	(169)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	483	483
Share-based payments	-	-	1,057	1,057
AT 31 DECEMBER 2019	63,053	205,927	(57,192)	211,788

The notes on pages 25 to 64 form part of these financial statements.

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

	Called up share capital (note 24)	Share premium account	Accumulated losses	Total equity
	£000	£000	£000	£000
At 1 January 2018	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 25 to 64 form part of these financial statements.

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 2019, 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 principal accounting policies shown on the subsequent pages have been applied:

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;
• certain disclosures regarding the Company's leases;
• 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 31.

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
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement	1 January 2019
IFRS9 – Amendments to prepayments with negative compensation	1 January 2019
Annual improvements to IFRSs (2015 – 2017 Cycle)	1 January 2019
Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures	1 January 2019

The effect of the adoption of IFRS 16 Leases is shown in note 1.5.

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 along with the Company's financial risk management processes.

The business budgeting process includes preparing a detailed financial plan for the year ahead. This is supplemented with a higher level three-year business plan. The Company develops its strategy and capital investment decisions based on projected cash flows and risk assessment over the duration of the required investment.

Detailed commercial tools are used to model a series of potential scenarios considering both internal and external factors. This process allows a detailed analysis of potential risks materialising and enables the Company to mitigate them.

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 sufficient 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 ultimate 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.

Based on the robust risk mitigation process and taking into account the current financial position, 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 16

The Company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. As shown in note 1.8, IFRS 16 has been applied to leases of property and equipment in 2019, but the principles of IAS 17 apply for the 2018 comparative period.

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 are determined as the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

The weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application was 3.07%.

There is no material difference between the net present value of the operating lease commitments disclosed at the end of the prior reporting period and the £18.4 million lease liabilities recorded at the date of initial application of IFRS 16.

1. ACCOUNTING POLICIES (CONTINUED)

1.5 Impact of new International Reporting Standards, Amendments and Interpretations (continued)

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

Statement of Financial Position (extract)

	31 December 2018 As originally presented £000	IFRS 16 £000	1 January 2019 Adjusted balance £000
FIXED ASSETS			
Tangible assets	8,326	18,184	26,510
	137,023	18,184	155,207
CURRENT ASSETS			
Debtors	95,777	(484)	95,293
TOTAL CURRENT ASSETS	416,303	(484)	415,819
Creditors: amounts falling due within one year	(136,246)	(5,895)	(142,141)
TOTAL ASSETS LESS CURRENT LIABILITIES	417,080	11,805	428,885
Creditors: amounts falling due after more than one year	(68,357)	(12,744)	(81,101)
NET ASSETS	211,187	(939)	210,248
CAPITAL AND RESERVES			
Called up share capital	63,053	-	63,053
Share premium account	205,927	-	205,927
Accumulated losses	(57,793)	(939)	(58,732)
	211,187	(939)	210,248

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 recognises revenue when performance obligations have been satisfied. This is when the customer has control, as described below.

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, if the impact is significant, the Company adjusts the transaction prices of these contracts for the time value of money and the associated financing income is shown separately from revenue within interest receivable and similar income. Normally the satisfaction of performance obligations aligns closely to the timing of customer payment, with short-term timing differences recorded in accrued income or contract liabilities as appropriate.

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.

Long-term contracts with multiple performance obligations

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.

1. ACCOUNTING POLICIES (CONTINUED)

1.6 Revenue (continued)

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 in updated regularly once the contract has commenced with, any subsequent remeasurement being treated as an adjustment to revenue.

Costs to fulfil a contract

Costs are expensed as incurred unless they relate directly to a contract (or a specifically identifiable, anticipated contract), the costs generate or enhance resources to be used in satisfying performance obligations and the costs are expected to be recovered, such costs are recognised as an asset until revenue can be recognised.

Principal versus agent

Where the Company's performance obligations involve the provision of a specified good or service by another party, the Company considers whether it acts as principal or agent in the transaction. This includes considering who has primary responsibility for the delivery, the level of risk undertaken and any discretion in the contract price and terms.

Where the Company does not control the specified good or service provided by another party before that good or service is transferred to the customer, the Company recognises revenue only to the value of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

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 Leases

The Company as a lessee

The Company leases various properties, vehicles and equipment. Rental contracts are typically for fixed periods of 3 to 5 years for equipment, 3 to 4 years for vehicles and 5 to 10 years for property, although the ground rent on the Hemel Hempstead office is for a longer period.

Until the end of 2018, leases of property and equipment were classified as either finance or operating leases. From 1 January 2019, leases are recognised as a right-of-use asset with a corresponding liability.

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1. ACCOUNTING POLICIES (CONTINUED)

1.8 Leases (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate based on Group financing operations.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is included in 'Creditors' on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease-term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised payment stream.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated on a straight-line basis over the period of the lease term, or the useful economic life of the underlying asset if shorter. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in the 'Tangible Fixed Assets' line in the Statement of Financial Position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 1.12.

1. ACCOUNTING POLICIES (CONTINUED)

1.8 Leases (continued)

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient.

1.9 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 that the non-amortisation of goodwill is a departure from applicable legislation, for the overriding purpose of giving a true and fair view. The effect of this departure has been quantified as an increase to profits of £3,508 thousand (2018: £3,508 thousand) and an increase to equity of £19,253 thousand (2018: £15,745 thousand).

1. ACCOUNTING POLICIES (CONTINUED)

1.10 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.

Amortisation is provided on all intangible fixed assets so as to write off cost less residual value over their anticipated useful lives on a straight-line basis. This amortisation is charged to administrative expenses in the Statement of Comprehensive Income.

The estimated useful lives range as follows:

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

1.11 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.

1. ACCOUNTING POLICIES (CONTINUED)

1.11 Tangible fixed assets (continued)

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

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

Long-term leasehold property	- 25 to 40 years
Right-of use property	- Over the period of the lease, or 25 to 40 years
Plant and machinery	- 3 to 15 years
Other right-of-use assets	- Over the period of the lease

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.

1.12 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.

1.13 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 tor any initial or subsequent write-down of the asset to fair value less cost to sell. No deprecation is charged while they are classified as held for sale.

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. ACCOUNTING POLICIES (CONTINUED)

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.

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:

The Company has entered into transactions designed to hedge its exposure to foreign currency risk through the use of derivatives as part of its overall risk management policy. Derivatives are recognised at fair value in the Statement of Financial Position.

Changes in the fair value of derivatives not qualifying for hedge accounting are recognised directly in profit or loss for the period.

Hedging instruments that satisfy hedge accounting criteria are recognised as follows:

a. Fair value hedges
Changes in the fair value of a derivative designated as a fair value hedge are recognised in profit or loss (within interest receivable and similar income or interest payable and similar expenses).

b. Cash flow hedges
The gain or loss corresponding to the effective portion of the hedging instrument is recognised directly in equity as other comprehensive income, while the ineffective portion is taken to profit or loss (within interest receivable and similar income or interest payable and similar expenses).

Financial assets

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

Financial assets measured at amortised cost 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.

1. ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

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.

The Company recognises lifetime expected credit losses (ECL) for trade receivables and amounts due on contracts with customers. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Financial liabilities

The Company inititally 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

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.

1. ACCOUNTING POLICIES (CONTINUED)

1.17 Foreign currency translation (continued)

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.

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.

1. ACCOUNTING POLICIES (CONTINUED)

1.20 Pensions (continued)

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.

1.22 Borrowing costs

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

1. **ACCOUNTING POLICIES (CONTINUED)**

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.

1.24 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 2 to 5 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.

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:

Key areas of judgment

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.

Taxation
Management judgment 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 23.

Lease accounting
Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, then the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

In determining the lease-term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease-term if the lease is reasonably certain to be extended (or not terminated).

The lease-term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Key sources of estimation uncertainty

Contractual issues
The estimation of the financial effect of contractual issues (see note 22) 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.

2. JUDGMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

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.

3. TURNOVER

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

	2019 £000	*2018 £000*
Computing, consultancy and business processing outsourcing services	398,493	*396,877*
Sale of goods	582	*2,669*
	399,075	*399,546*

Analysis of turnover by country of destination:

	2019 £000	*2018 £000*
United Kingdom	393,049	*394,051*
Rest of Europe	3,468	*4,496*
Rest of the world	2,558	*999*
	399,075	*399,546*

Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period amounted to £14,847 thousand (2018: £9,412 thousand).

4. OTHER OPERATING INCOME

	2019 £000	*2018 £000*
Other operating income	253	*376*

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 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 ended in 2018 and offered 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 were purchased up front at a discounted price. At the end of the 5-year period the employees received 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 weighted average remaining contractual life of these free performance shares is 0.76 years (2018: 1.37 years)..

The Company's share-based payment arrangements are entirely equity-settled and resulted in an expense in the year of £1,057 thousand (2018: £1,092 thousand).

6. OPERATING LOSS

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

	2019	*2018*
	£000	*£000*
Depreciation of tangible fixed assets	**8,457**	*1,710*
Amortisation of intangible assets	**14,636**	*2,868*
Loss on disposal of fixed assets	**276**	*18*
Exchange differences	**(51)**	*73*
Share-based payments	**1,057**	*1,092*

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.

	2019 £000	*2018* *£000*
Fees for the audit of the Company	**229**	*222*

8. EMPLOYEES

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

	2019 £000	*2018* *£000*
Wages and salaries	**151,382**	*151,107*
Social security costs	**17,032**	*17,434*
Cost of defined benefit schemes	**1,591**	*6,983*
Cost of defined contribution schemes	**19,639**	*20,357*
Share-based payments	**1,057**	*1,092*
	190,701	*196,973*

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

	2019 No.	*2018* *No.*
Operations	**2,574**	*2,749*
Administration	**392**	*439*
	2,966	*3,188*

9. DIRECTORS' REMUNERATION

	2019 £000	*2018 £000*
Directors' emoluments	**1,458**	*1,119*

The highest paid Director received remuneration of £827 thousand *(2018: £587 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 *(2018: £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 *(2018: £nil).*

During the year, 2 Directors received shares under long-term incentive schemes (*2018*: 2).

The total accrued annual pension provision of the highest paid Director at 31 December 2019 amounted to £19 thousand *(2018: £19 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 £1,458,469 (2018: £1,118,524), 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

	2019 £000	*2018 £000*
Dividend received from Sopra Steria Recruitment Limited	**1,400**	*4,500*
Dividend received from NHS Shared Business Services Limited	**2,000**	-
Dividend received from Sopra Group Holding Ltd	-	*48,000*
Dividend received from Steria BSP Limited	-	*56*
	3,400	*52,556*

11. INTEREST RECEIVABLE AND SIMILAR INCOME

	2019 £000	*2018* *£000*
Interest receivable from group companies	5,260	*5,930*
Gains on hedging instruments	475	*-*
Other interest receivable	716	*624*
	6,451	*6,554*

12. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019 £000	*2018* *£000*
Discount unwind on provisions	133	*188*
Losses on hedging instruments	527	*-*
Loans from group undertakings	2,342	*3,456*
Finance leases and hire purchase contracts	-	*48*
Interest on lease liabilities	872	*-*
Other group interest payable	539	*446*
Other interest payable	4	*5*
	4,417	*4,143*

13. OTHER FINANCE COSTS

	2019 £000	*2018* *£000*
Interest income on pension scheme assets	34,745	*31,819*
Net interest on net defined benefit liability	(38,106)	*(36,049)*
Net interest on pension fund liabilities	(3,361)	*(4,230)*

14. TAXATION

	2019 £000	*2018 £000*
CORPORATION TAX		
Current tax on losses / profits for the year	(1,035)	*(1,478)*
Adjustments in respect of previous periods	(539)	*127*
TOTAL CURRENT TAX	(1,574)	*(1,351)*
DEFERRED TAX		
Deferred tax - current year	320	*(14)*
Deferred tax - prior year	703	*(46)*
TOTAL DEFERRED TAX	1,023	*(60)*
TAXATION ON LOSS ON ORDINARY ACTIVITIES	(551)	*(1,411)*

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than *(2018: higher than)* the standard rate of corporation tax in the UK of 19% *(2018: 19%)*. The differences are explained below:

	2019 £000	*2018 £000*
Profit / (loss) on ordinary activities before tax	101	*(30,989)*
Profit / (loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	19	*(5,888)*
EFFECTS OF:		
Expenses not deductible for tax purposes	340	*570*
Non-taxable dividend income	(646)	*(9,985)*
Share-based payments	201	*207*
Tax relief on share awards	(68)	*(744)*
Tax relief on shares transferred to SIP	(169)	*(178)*
Rate difference regarding deferred tax	(392)	*(225)*
Non-deductible impairment of investments	-	*14,751*
Adjustments to tax charge in respect of prior periods	164	*81*
TOTAL TAX (CREDIT) / CHARGE FOR THE YEAR	(551)	*(1,411)*

14. TAXATION (CONTINUED)

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.

15. GOODWILL

	2019 £000
COST	
At 1 January 2019	58,532
AT 31 DECEMBER 2019	**58,532**
AMORTISATION	
At 1 January 2019	8,587
AT 31 DECEMBER 2019	**8,587**
NET BOOK VALUE	
AT 31 DECEMBER 2019	**49,945**
At 31 December 2018	*49,945*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

16. INTANGIBLE ASSETS

	Software and licences £000	Other intangible assets £000	Internally developed software £000	Total £000
COST				
At 1 January 2019	48,606	16	4,791	53,413
Additions - external	1,300	-	-	1,300
Additions - internal	-	-	731	731
Disposals	(291)	-	-	(291)
At 31 December 2019	49,615	16	5,522	55,153
AMORTISATION				
At 1 January 2019	10,883	9	1,512	12,404
Charge for the year on owned assets	13,569	-	1,067	14,636
On disposals	(57)	-	-	(57)
At 31 December 2019	24,395	9	2,579	26,983
NET BOOK VALUE				
At 31 December 2019	25,220	7	2,943	28,170
At 31 December 2018	*37,723*	*7*	*3,279*	*41,009*

Included within software and licences is a licence fee payable on a long-term service-based contract with a net book value of £24,003 thousand (2018: £37,096 thousand), being depreciated over the period to October 2021.

17. TANGIBLE FIXED ASSETS

	Long-term leasehold property £000	Right-of-use property £000	Plant and machinery £000	Right-of-use motor vehicles £000	Right-of-use equipment £000	Total £000
COST						
At 1 January 2019	1,780	-	31,594	-	-	33,374
Impact of change in accounting policy	(1,780)	27,182	(1,817)	2,916	3,175	29,676
At 1 January 2019 (adjusted balance)	-	27,182	29,777	2,916	3,175	63,050
Additions	-	12,017	1,880	324	81	14,302
Disposals	-	(37)	(713)	(448)	(456)	(1,654)
At 31 December 2019	-	39,162	30,944	2,792	2,800	75,698
DEPRECIATION						
At 1 January 2019	159	-	24,889	-	-	25,048
Impact of change in accounting policy	(159)	10,004	(100)	1,275	472	11,492
At 1 January 2019 (adjusted balance)	-	10,004	24,789	1,275	472	36,540
Charge for the year on owned assets	-	-	2,094	-	-	2,094
Charge for the year on right-of-use assets	-	4,256	-	945	1,162	6,363
Disposals	-	(37)	(671)	(448)	(456)	(1,612)
At 31 December 2019	-	14,223	26,212	1,772	1,178	43,385
NET BOOK VALUE						
At 31 December 2019	-	24,939	4,732	1,020	1,622	32,313
At 31 December 2018	*1,621*	-	*6,705*	-	-	*8,326*

18. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £000
COST	
At 1 January 2019	**79,974**
At 31 December 2019	**79,974**
IMPAIRMENT	
At 1 January 2019	**42,231**
At 31 December 2019	**42,231**
NET BOOK VALUE	
At 31 December 2019	**37,743**
At 31 December 2018	*37,743*

SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the Company at the end of the reporting period.

Name	Principal activity	Class of shares	Holding
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	Dormant	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	Dormant	Ordinary	100

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

19. DEBTORS

	2019 £000	*2018* *£000*
DUE AFTER MORE THAN ONE YEAR		
Amounts owed by group undertakings	175,269	*215,418*
Deferred tax asset	21,950	*26,008*
Financial instruments	196	*-*
	197,415	*241,426*

	2019 £000	*2018* *£000*
DUE WITHIN ONE YEAR		
Trade debtors	43,278	*39,974*
Amounts owed by group undertakings	7,116	*6,229*
Other debtors	3,253	*2,379*
Prepayments and accrued income	32,945	*38,256*
Amounts recoverable on long-term contracts	9,744	*5,312*
Tax recoverable	4,573	*3,354*
Financial instruments	475	*-*
Contract assets	193	*273*
	101,577	*95,777*

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. Amortisation of this balance chanrged to the Statement of Comprehensive Income in the year amounted to £852 thousand (2018: £871 thousand).

20. CREDITORS: Amounts falling due within one year

	2019 £000	*2018 £000*
Bank overdrafts	-	*7,274*
Trade creditors	2,117	*4,278*
Amounts owed to group undertakings	61,648	*31,225*
Other taxation and social security	14,527	*18,060*
Obligations under finance lease and hire purchase contracts	3,581	*694*
Other creditors	23,804	*20,536*
Accruals	26,824	*31,200*
Financial instruments	537	*10*
Deferred income	26,403	*22,939*
	159,441	*136,216*

£30 million (2018: £nil) 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 non-interest-bearing.

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

	2019 £000	*2018 £000*
Obligations under finance leases and hire purchase contracts	22,571	*1,067*
Amounts owed to group undertakings	85	*40,707*
Other creditors	14,111	*26,583*
Financial instruments	259	*30*
	37,026	*68,387*

IFRS16 was adopted on 1 January 2019 without restating prior year figures. As a result, the current year figures for Obligations under finance leases and hire purchase contracts includes balances in respect of leased assets previously treated as operating leases and therefore not included in the comparative.

£nil (2018: £40 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 non-interest-bearing and is expected to be settled over the period to October 2021.

22. PROVISIONS

	Dilapidation provision £000	Vacant property provision £000	Other provisions £000	Total £000
At 1 January 2019	5,584	228	4,409	10,221
Additions	408	-	1,872	2,280
Reversals	(50)	-	(2,291)	(2,341)
Interest unwind for discount	117	4	11	132
Utilised in year	-	(75)	(499)	(574)
AT 31 DECEMBER 2019	6,059	157	3,502	9,718

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

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

(c) Other provisions includes £0.3 million for Permanent Healthcare Insurance (PHI) for employees, £1.4 million relating to other employee issues including reorganisation costs and potential staff costs following recent legislation and £1.9 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.

23. DEFERRED TAXATION

	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
Credited / (charged) to profit or loss	320	58	(318)	-	60
Credited / (charged) to other comprehensive income	-	-	169	(7,949)	(7,780)
Other adjustments	-	5	-	-	5
At 31 December 2018	1,469	1,443	1,453	21,643	26,008

	Accelerated capital allowances £000	Short-term timing differences £000	Imputed interest £000	Pension deficit £000	Total £000
At 1 January 2019	1,469	1,443	1,453	21,643	26,008
Charged to profit or loss	(387)	(281)	(355)	-	(1,023)
Charged to other comprehensive income	-	-	-	(3,041)	(3,041)
Other adjustments	-	6	-	-	6
At 31 December 2019	1,082	1,168	1,098	18,602	21,950

The deferred tax asset has been recognised on the basis of sufficient taxable profits arising in the Company in the future and / or sufficient tax capacity existing within the Sopra Steria UK tax group to enable any future taxable losses to be surrendered in full via the group relief provisions (with the Company receiving payment for the value of the tax losses surrendered).

A potential deferred tax asset of £337 thousand (2018: £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. The related trading loss is £1,985 thousand (2018: £1,986 thousand). These losses have no expiry date.

24. SHARE CAPITAL

	2019 £000	*2018 £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*

25. EVENTS AFTER THE REPORTING PERIOD

On 28 February 2020, the Company completed the acquisition of 100% of the share capital of CXPartners Limited, a company whose principal activity is the provision of consultancy services. The fair value of consideration to be paid was measured at £4.8 million.

Subsequent to the end of the reporting period, the COVID-19 pandemic has led to changes in the Company's operations. Some of the measures already in place to protect our staff include office closures, social distancing to limit contagion, and remote working whenever possible.

We continue to communicate regularly with our employees and have implemented hygiene, travel, work and medical advice in line with government guidance across all sites.

The Company has determined that these events are non-adjusting subsequent events, therefore no adjustment has been made to the 2019 results in respect of COVID-19 and the effect on 2020 is yet to be fully clarified.

The Government has announced that it intends to cancel the proposed reduction in the rate of corporation tax referred to in note 14. As this cancellation had not been substantially enacted as at the end of the reporting period, the change has not been taken into account in these financial statements. The adjustment is expected to lead to an increase in equity of approximately £2,582 thousand, of which £394 thousand would improve profit and £2,188 thousand would credit other comprehensive income.

26. CONTINGENT LIABILITIES

Letters of credit and performance bonds of £361 thousand (2018: £230 thousand) 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.

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. The Directors consider that the those financial obligations will be met and that the probability of any economic transfer being made as a result of the guarantees is remote.

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.

27. CAPITAL COMMITMENTS

The Company has capital commitments of £36 thousand for plant, machinery and equipment at the end of December 2019 (2018: £310 thousand).

28. 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 2019 the amount outstanding in respect of the Company's contribution to the Group's defined contribution schemes was £1,598,051 (2018: £2,007,776). Contributions made in respect of the year ended 31 December 2019 were £19,639,272 (2018: £20,356,779).

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. Plan assets held are governed by local regulations and practice in the United Kingdom. Responsibility for the governance of the plans – including investment decisions and contribution schedules – lies jointly with the Company and the Trustees of the plans

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 lability 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.

28. PENSION COMMITMENTS (CONTINUED)

Reconciliation of present value of plan liabilities:

	2019 £000	*2018* *£000*
At the beginning of the year	1,355,782	*1,469,457*
Current service cost	1,591	*1,683*
Interest cost	38,106	*36,049*
Actuarial losses / (gains)	120,929	*(84,408)*
Benefits paid	(54,576)	*(72,299)*
Past service cost	-	*5,300*
AT THE END OF THE YEAR	1,461,832	*1,355,782*

Reconciliation of fair value of plan assets:

	2019 £000	*2018* *£000*
At the beginning of the year	1,228,467	*1,295,384*
Interest income	34,745	*31,819*
Actuarial gains / (losses)	120,756	*(48,957)*
Contributions	23,012	*22,520*
Benefits paid	(54,576)	*(72,299)*
AT THE END OF THE YEAR	1,352,404	*1,228,467*

28. PENSION COMMITMENTS (CONTINUED)

Composition of plan assets:

	2019 £000	2018 £000
Bonds	111,026	476,024
Equities	275,848	303,587
Property	130,827	137,330
Private credit	159,905	98,045
Infrastructure	81,730	83,182
Other	593,068	130,299
TOTAL PLAN ASSETS	1,352,404	1,228,467

	2019 £000	2018 £000
Fair value of plan assets	1,352,404	1,228,467
Present value of plan liabilities	(1,461,832)	(1,355,782)
NET PENSION SCHEME LIABILITY	(109,428)	(127,315)
As shown in Statement of Financial Position		
Pension asset (Steria Electricity Supply Pension Scheme)	1,719	1,779
Pension liabilities	(111,147)	(129,094)
	(109,428)	(127,315)

The amounts recognised in profit or loss are as follows:

	2019 £000	2018 £000
Current service cost	(1,591)	(1,683)
Interest on obligation	(38,106)	(36,049)
Interest income on plan assets	34,745	31,819
Past service cost	-	(5,300)
TOTAL	(4,952)	(11,213)
Actual return on scheme assets	160,889	(12,953)

28. PENSION COMMITMENTS (CONTINUED)

In 2018, an operating expense of £5.3 million was 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, performed an initial estimate of the impact of GMP, being an increase in pension liabilities of £5.3 million.

The cumulative amount of actuarial losses recognised in the Statement of Comprehensive Income was £208,655 thousand (2018: £208,482 thousand).

The Company expects to contribute £23.8 million to its Defined Benefit Pension Schemes in 2020, in line with the Schedule of Contributions agreed triennially with the Trustees of the plans.

	2019 £000	*2018* *£000*
ANALYSIS OF ACTUARIAL LOSS / GAIN RECOGNISED IN OTHER COMPREHENSIVE INCOME		
Actual return less interest income included in net interest income	**126,693**	*(44,772)*
Administrative expenses paid from plan assets	**(5,388)**	*(4,185)*
Experience gains and losses arising on the scheme liabilities	**12,149**	*(4,417)*
Actuarial gains and losses arising from changes in financial assumptions	**(152,986)**	*80,469*
Actuarial gains and losses arising from changes in demographic assumptions	**19,359**	*8,356*
Actuarial (loss) / gain on defined benefit schemes	**(173)**	*35,451*

28. PENSION COMMITMENTS (CONTINUED)

The principal assumptions used by the actuary were:

	2019 %	*2018* *%*
Discount rate	2.07	*2.89*
CPI inflation assumption	2.02	*2.15*
RPI inflation assumption	2.92	*3.15*
Other assumptions		
Future salary increases	2.92	*3.15*
Member life expectancy at age 65 (male retiring today)	22.3 - 23.4 years	*22.5 - 23.4 years*
Member life expectancy at age 65 (female retiring today)	23.9 - 25.3 years	*24.3 - 25.4 years*
Member life expectancy at age 65 (male aged 45 retiring in 20 years)	23.6 - 24.6 years	*23.9 - 24.7 years*
Member life expectancy at age 65 (female aged 45 retiring in 20 years)	25.5 - 26.7 years	*25.9 - 26.9 years*

The mortality assumption is based on the S3P generational base tables (2018: S2P tables) with scaling of 94 - 100% for males (2018: 93 - 96%) and 90 - 98% for females (2018: 85 - 95%). Future improvements to life expectancy are based on the CMI 2018 projection model (2018: CMI 2017 model) with a 1.25% long-term improvement rate (2018: 1.25%).

The estimated weighted average duration of the defined benefit obligation is 18.8 years (2018: 18 years).

The expected total benefit payments for 2020 is £56 million and in total for the next 5 years £338 million.

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	(59,614)	65,954
Inflation rate		
Effect on defined benefit obligation: Increase / (reduction)	52,388	(51,087)

29. 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 2019 are detailed below. The Company also provides 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	1,246	49,086	65	20,341	140
NHS Shared Business Services Limited	-	13,796	86	1,411	6
Axway UK Limited	-	-	325	-	-
	1,246	62,882	476	21,752	146

In the year ended 31 December 2018, 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	1,861	46,879	56	34,514	179
NHS Shared Business Services Limited	-	13,771	409	1,214	78
Axway UK Limited	-	-	543	-	93
	1,861	60,650	1,008	35,728	350

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

30. LEASES

Company as a lessee

The Company leases its property and vehicle requirements as well as certain equipment where there are cash flow, financing or risk benefits from doing so.

Lease liabilities are due as follows:

	2019 £000
Not later than one year	3,581
Between one year and five years	9,830
Later than five years	12,741
	26,152

Contractual undiscounted cash flows are due as follows:

	2019 £000
Not later than one year	3,579
Between one year and five years	11,785
Later than five years	24,224
	39,588

Cash flow projections regularly received by The Board indicate that the Company is expected to have sufficient liquid resources to meet its lease obligations under all reasonably expected circumstances.

The following amounts in respect of leases, where the Company is a lessee, have been recognised in profit or loss:

	2019 £000
Interest expense on lease liabilities	872
Expenses relating to short-term leases	300
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	50

Total cash outflow for leases in the year amounted to £5,221 thousand.

31. 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.