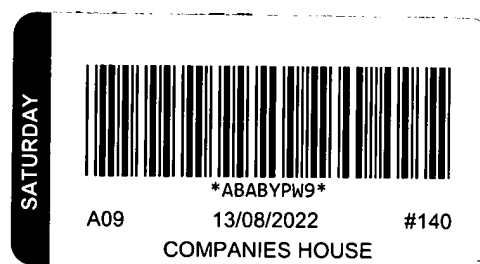


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**SOPRA STERIA LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**



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## **SOPRA STERIA LIMITED**

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## SOPRA STERIA LIMITED

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### COMPANY INFORMATION

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Sopra Steria Limited is a private company limited by shares, registered in England and Wales.

|                            |   |
|----------------------------|---|
| <b>DIRECTORS</b>           | Mr D S Ahluwalia<br>Ms K M Clark-Bracco<br>M P-Y Commanay<br>Mr J J Moran<br>Mr J N M Neilson             |
| <b>COMPANY SECRETARY</b>   | Mr G M Brooks-Usher   |
| <b>REGISTERED NUMBER</b>   | 04077975  |
| <b>REGISTERED OFFICE</b>   | Three Cherry Trees Lane<br>Hemel Hempstead<br>Hertfordshire<br>HP2 7AH                                    |
| <b>INDEPENDENT AUDITOR</b> | Mazars LLP<br>Chartered Accountants and Statutory Auditor<br>2 Chamberlain Square<br>Birmingham<br>B3 3AX |
| <b>BANKERS</b>             | Societe Generale<br>One Bank Street<br>Canary Wharf<br>London<br>E14 4SG                                  |

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## **SOPRA STERIA LIMITED**

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### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021**

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#### **INTRODUCTION**

#### **PRINCIPAL ACTIVITY AND MISSION**

Sopra Steria Limited (the Company or Sopra Steria), is a European tech leader recognised for its consulting, digital services and software development, harnessing the power of innovation to drive positive change in business and society.

We are a purpose-driven digital transformation provider, known for our collaborative, consultancy-led approach. We provide consulting and digital services, creating innovative solutions, at scale, to deliver sustainable growth and services that make life better. Our work touches many lives in the UK. From helping the Government provide essential public and health services that offer more convenience and choice, to improving financial services to deliver fairer, customer-centric solutions.

With over 47,000 employees in nearly 30 countries, the Sopra Steria Group generated revenue of €4.7billion in 2021.

We also invest in shares in a number of jointly-owned businesses created to serve and grow distinct markets. We help clients navigate the complex technology landscape to build better performing operations. We design, integrate and manage the use of digital technologies to drive strategic change. Our consultants step through business processes with a fresh eye, re-writing them to give customers a superior service experience. Digital ethics are central to our solution design. So too is cyber-security, protecting our clients' people and assets. Our analysts unlock value from data patterns through Artificial Intelligence (AI). For many clients, we take responsibility for running and administering their business services including pensions, finance and accounting, legal documents and ID, HR and procurement. We apply robotic automation, virtual reality and operations management techniques to radically improve quality and cost of outcomes, freeing up our clients to focus on their strategic challenges.

Sopra Steria places people at the heart of everything it does. We have high participation of staff in share ownership, and in our Great Place to Work trust index. In the face of the COVID-19 pandemic, our teams stepped up admirably to support the NHS and many other clients in maintaining critical national infrastructure and services. Access to continual learning helps our people to keep on top of digital change and to create considered, pragmatic and innovative solutions with our clients. We are a values-based business. Environment, Social and Governance (ESG) is embedded throughout our Company, from top to bottom. We are already well on the way to reaching Net Zero by 2028, taking significant, comprehensive and urgent action in everything we do. We support a number of causes that help less advantaged and vulnerable parts of society and we continue to act to increase opportunity and diversity at all levels within the Company. We are a business whose people, expertise and values make it successful: a good company to work for, and with. Our approach and style are highly collaborative and we are committed to making digital technology work for our clients in order to build a positive future for all.

The world is how we shape it and we're shaping it for the better.

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## SOPRA STERIA LIMITED

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### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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#### BUSINESS REVIEW

In 2021, the global economy remained in a heightened state of flux, driven by variants, vaccines, labour shortages, global supply chain issues, and threats to energy security. The UK faced further lockdowns, many and rapid changes in government rules with variation across the four nations, significant cost inflation, low stocks and growing problems in filling vacancies as fewer people returned to the job market. Many economies, including that of the UK, have bounced back quickly on the success of vaccine rollouts, however, shortages and cost inflation are putting the brakes on that growth.

The Company has continued to handle these challenges with the same resilient effectiveness as it did in the previous year and has been able to thrive during this difficult time, delivering on all key measures of performance and doubling our efforts to support the wellbeing of our people. Demand for digital services continues to grow as clients invest in technology to automate. However, we are not immune to the ongoing uncertainties, especially labour shortages and wage inflation which could constrain our plans. We will be competing not only for contracts but increasingly to attract and retain skilled and talented people. We do so in part by providing a variety of innovative and interesting work that is well rewarded and recognised. We are designing new ways of working that take a positive from the pandemic. Our strategy of nurturing a values-driven Company with a vibrant social purpose, contributing positively to our communities and to combat climate change, is one which we believe is attractive to the best people in our industry.

Despite the continuing macro-environmental uncertainties, the UK Software and IT Services (SITS) market returned to growth in 2021. Analysts at TechMarketView estimate a year-on-year market increase of 8.8% in 2021, but suggest this would have been higher if the market were not constrained by an overall skills shortage. That growth was primarily driven by the demand for 'new' services and products (i.e. digital, platform, cyber and Software as a Service (SaaS)), and now accounts for more than 50% of the overall SITS market. Sales of these offerings in the market grew by nearly 30%. The pace of growth varied between vertical sectors and horizontal service lines, however a consistent theme was organisations and enterprises prioritising and increasing investment in services and solutions to accelerate the pace of their digital initiatives. The UK Public Sector was a driver for growth, particularly in Central Government and Health – both of which are core markets for the Company. In the Private sector, Financial Services remains the largest market with SITS spend growing by 7.2%. Manufacturing performed the strongest, achieving an 11% growth. The markets with the slowest rate of growth were Energy & Utilities, a market which is lagging behind the curve in digital adoption; and Travel & Transportation, a sector that has been heavily impacted by the pandemic.

The digital market is becoming ever more vast. It is essential to how businesses work, how public services are delivered and is increasingly relied upon in many aspects of our everyday lives – home, education, travel, shopping, banking, entertainment and health. Boundaries between the real and virtual worlds are blurring. A majority of citizens are tech savvy, own powerful tech, and are sophisticated in their use of tech. However, digital access is not universal and the experience of digitally-delivered service is often poor. More businesses, public bodies and individuals are vulnerable to devastating cyber-attacks. Populations, cohorts and individuals are monitored, measured and monetised – not always with their knowing consent. In the UK, the digital divide is compounded by the problem of levelling-up: the need to have a more balanced and fairer society across all parts of the UK. The government is bringing in new rules to restore the environment, combat climate change and inequalities as well as aiming to build a higher-skilled economy. All these themes feed into the Company's strategy of doing the right thing, approaching digital innovation in an ethical, purposeful and sustainable way to shape the future for positive impact, and support the vulnerable. We are invested in our key client partnerships and collaboration. Our business performance is linked with their experience and advocacy of us. Whether it is delivery of public services or supporting the private sector, we work with our clients to face challenges together, solving complex business problems, and delivering at scale. In the following paragraphs we expand and give more detail on our approach.

In 2021, our consulting business has continued to develop in most sectors and the jointly-owned businesses. Headcount has reached over 300 consultants and we have a strong management team in place. We have continued to align with our growth strategy and build stronger relationships with each of our key accounts. The progressive integration of our subsidiary, cpartners Limited, in the Consulting Division has proven a strong success, helping us develop stronger relationships with key business stakeholders within our clients. We have

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## SOPRA STERIA LIMITED

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### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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also received positive recognition from market analysts and the Management Consulting Association as at the end of 2021.

The Company's Government sector has transformed its operations with a focus on the digital transformation of citizen services – we are now winning new business aligned with our stated ambition to help the Government re-imagine public services in the digital age. Transformative contracts include flagship deals with the Home Office divisions of HM Passport Office and UK Visas and Immigration where the sector is helping the Home Office in re-imagining and delivering the digital transformation of citizen journeys. Transport is another growing area for the sector, with the business now delivering a new control room system to Transport for London to manage London's road network, as well as winning a new contract in 2021 with Highways England to run the nation's traffic information service until 2026. Digital transformation continues to be a theme for devolved nations and in Local Government the digital transformation theme continues working with a number of authorities including Broxbourne Borough Council and Welwyn Hatfield Borough Council, partnering with the Company to successfully transform their citizen services. This process has been accelerated by the response to COVID-19, forcing more departments to embrace end-to-end digital delivery and re-think how they engage and communicate with the public, shifting work online and delivering services in different ways to reflect the restrictions. In addition, the sector is playing a significant role in the development of new platform services for the Company which will create new markets and demand across the public and private sectors.

The Aerospace, Defence and Security (ADS) sector continued to deliver critical services for the UK and overseas. The sector cemented and built upon its strong market position, achieving significant contract extensions in national security and defence, winning cloud migration, digital transformation and high-value consulting programmes of work. Despite a challenging market landscape in aerospace, Sopra Steria's Aerospace sub-sector secured new international business and expanded its footprint in the adjacent defence industries market. The sector continues to lead the command and control market in policing, while expanding the scope of services offered to the sub-sector – a notable example being a cloud migration project, the first of its kind in the country for a force, with Cleveland Police.

Against prevailing economic headwinds as a result of the pandemic, the Private sector continued to deliver strong levels of profitability during 2021 and experienced growth in a number of sub-sectors.

With the easing of travel restrictions across the UK and Europe in time for the summer season, the Transport sector returned to growth in the second half of the year whilst our Energy & Utilities sector grew as a result of investment in customer experience transformation initiatives enhanced by the strong relationship with our subsidiary cpartners Limited.

While the industry faces an unprecedented competition for talent, demand for data and analytics, and operational excellence, services remained strong throughout the year, with our Private sector achieving quarter-on-quarter growth in these areas. The sector also saw several contract extensions across its portfolio and signed a significant business process outsourcing (BPO) contract to deliver an innovative recruitment service in the second half of the year, positioning it for future growth.

During 2021, the Private sector continued its strategy to invest in highly differentiated offers that create value for clients in this highly competitive environment. This has seen the development of both the enhanced debt management (EDM) and end-to-end financial services platforms. In both cases, these are built using our deep expertise and understanding of these markets combined with our leading capabilities in data and analytics, cloud, and digital transformation to provide platforms for clients to better understand and serve their customers. 2021 also saw a major success for this strategy with the appointment to the Crown Commercial Service (CCS) Debt Resolution Services framework under lot 1 as a managed collections service provider. Moving into 2022, this strategy will continue to see further investment into the platforms along with targeted activity to onboard the first clients.

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## SOPRA STERIA LIMITED

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### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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Overall, the Company generated revenue of £401.2 million in 2021 (2020: £384.9 million). Profit before tax for the year was £33.0 million, (2020: £0.4 million). Profit before tax includes costs of £2.4 million (2020: £7.3 million) incurred as a result of ongoing restructuring. The Company generated an operating profit of £25.1 million before restructuring costs and share-based payments in 2021 (2020: £8.1 million).

As a result of impressive profitability and a 70% decrease in the pension deficit to £35.8 million (2020: £119.9 million), there has been significant strengthening of the balance sheet, with net assets of £274.2 million (2020: £191.9 million) and cash and cash equivalents at £62.8 million (2020: £60.8 million).

#### REVIEW OF SUBSIDIARIES

##### Shared Services Connected Ltd (SSCL)

SSCL is the Company's subsidiary owned jointly with the UK Government. It provides transformational business support services for the UK Public Sector - Government, Defence, the Construction Industry Training Board (CITB) and the Metropolitan Police Service (MPS). It delivers Consulting services, Finance & Accounting, Procurement, HR & Payroll, Pensions and large-scale Resourcing Services. Since the start of the venture, SSCL has delivered savings of around £400 million - providing more funds for front-line citizen services. SSCL's purpose is to empower the UK public sector with digital solutions and innovative services to deliver better outcomes that make lives better for UK citizens.

Manifesto commitments around levelling-up, social mobility, climate change, tackling inequality and "building back better" post-COVID-19 also remain key priorities. Government Business Services' (GBS) refreshed strategy announced in Q1 2021 aimed to bring together commercial and data convergence to enable insight-driven decisions and process transformation to enable automation, interoperability and service improvements. The strategy for SSCL aligns and delivers these goals.

People are at the heart of the success of SSCL and their knowledge, expertise and values are a key differentiator. During 2021, it has made strong progress in all its markets, achieving revenues of £284.9 million, which represents growth of 30% and operating profit for the year of £33.2 million (2020: £26.8 million).

SSCL's Government sector introduced its intelligence ecosystem which transformed the customer experience, providing speedier and intuitive access with a single portal gateway for all services. Using agile, robotics and automation to power the intelligent ecosystem has provided customers with a technology-agnostic, cloud-based service and increased the ways in which customers can choose to interact with SSCL. New partnerships with Amazon Web Services (AWS) and PegaSystems in 2021 mean that the SSCL Intelligent Ecosystem will integrate all channels to enhance customer experience: live chat, chatbots, text, email, and telephony support built on a digital case management solution.

SSCL's Consulting sector had a successful year, consolidating its position, expanding the team and developing better strategic relationships with clients. The sector also successfully secured a substantial deal to help Scottish Government transform their shared services. This showcases SSCL's core strengths and demonstrates its credentials to act as implementation partner for future Government business.

SSCL's Police and Resourcing Services sector saw double digit growth in 2021, largely due to the development of Resourcing Services to provide fully integrated, digital end-to-end resourcing. SSCL won contracts with the Department for Work and Pensions (DWP) to recruit 13,000 work coaches to support its COVID-19 response which was delivered in 2021. SSCL's Police sector also successfully achieved its target for the recruitment of officers for the MPS.

SSCL's Defence sector has been managing the complex and large-scale transformation programme for Defence Business Services (DBS) to redesign and digitise pensions administration services for UK armed services veterans. It also delivers HR and Payroll services for 340,000 military personnel and reservists. In August 2021, SSCL supported the Ministry of Defence (MOD) with vital data to support one of its key activities. The Defence transformation has taken longer than anticipated, in part related to COVID-19 and also due to its size, scale and complexity.

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## SOPRA STERIA LIMITED

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### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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SSCL continued to operate successfully throughout 2021, against a backdrop of uncertainty and change. A second year of the COVID-19 pandemic did not impact SSCL's ability to deliver high quality services to more than half a million public sector employees, win new work, create more digital solutions and innovative services.

In January 2022, SSCL appointed Mr M Driver as the independent chair of the board. As well as bringing a wealth of senior public sector experience from Ministry of Justice (MoJ), Department of Health and Social Care (DHSC), DWP and HM Treasury (HMT), he is also the President of the Chartered Institute of Public Finance and Accountancy (CIPFA).

SSCL's strategy going forward focuses on growth, innovation and customer satisfaction. It plans to increase volumes through existing SSCL platforms and develop new digital solutions that generate profitable revenue streams. SSCL aims to be the exemplar for Pensions Administration, Resourcing Services and Next Generation BPO services. It already has a strong track record of performance in these areas, delivering at size and scale across the public sector, and is well placed to drive further transformation in these strategic focus areas.

SSCL's Customer First approach ensures a clear focus on its clients and their strategic challenges – providing Consulting services and delivering digital transformation to transform the customer experience.

In 2022, SSCL will offer a range of additional value-added digital solutions to further streamline processes and deliver a great customer experience. The introduction of Oracle Cloud Infrastructure (OCI) has provided an integrated Cloud solution for mission-critical applications, enabling further innovation and new ways of working. SSCL continues to invest in Industry leading SaaS solutions to benefit its clients and customers and has introduced digital case management and workflow using robotics and automation across operational teams.

SSCL works with and supports GBS as it evolves its future strategy around Next Generation BPO and the creation of client clusters to design future services and technologies. SSCL continues to make investments for future services through the Reimagining Business Process Services (BPS) work, building on existing capabilities and utilising Software as a Service (SaaS) expertise to ensure it can support clients on their digital journey.

#### NHS Shared Business Services Limited (NHS SBS)

NHS SBS, jointly owned by the Company and the Department of Health and Social Care (DHSC), is the leading provider of corporate services to the National Health Service (NHS).

In 2021, NHS SBS continued to serve well over 200 NHS organisations around the country – providing a mix of finance, procurement, technology and workforce services to more than half of all NHS providers, commissioners and arm's length bodies. Its contract with NHS England and NHS Improvement (together NHSEI) to provide the national accounting platform for NHS commissioners – the Integrated Single Finance Environment (ISFE) – was also extended to 2024.

With the ongoing serious impact of COVID-19 on the healthcare system, NHS SBS once again focused on the resilience of its systems and processes, ensuring that essential corporate services were delivered as normal to enable its NHS customers to concentrate on frontline patient care.

Despite remote working for the majority of the year, NHS SBS teams continued to pay around a third of the NHS workforce; manage £255 billion of NHS money; and processing 6.7 million accounts payable transactions.

Whilst dealing with the ongoing challenges of the COVID-19 pandemic in 2021, the organisation also worked to support the transformation of health and social care in England, particularly the national move to Integrated Care Systems (ICS) in 2022.

As a unique jointly-owned business, NHS SBS has a vital role to play in helping the DHSC to deliver these significant NHS reforms. In 2021, this included the development of tailored ICS corporate service solutions that enable system-wide collaboration and instil consistent, best-practice processes as standard.

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## SOPRA STERIA LIMITED

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### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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Working closely with pathfinder ICS regions, NHS SBS designed a full ICS Source-to-Settle solution, which integrates finance processes with strategic and transactional procurement, and launched a new insight diagnostic solution to assess and benchmark the maturity of system-wide corporate services.

In addition, the organisation was named as the preferred provider of payroll and pensions services to the North Central London ICS, after being awarded a place on a new single supplier framework – the first of its kind to be established by an ICS for a shared corporate service.

In 2021, NHS SBS launched its multi-year strategy with an emphasis on service excellence, expanding its service capability, and developing new digital solutions that are provided at scale across the healthcare system. Its innovative and award-winning Workforce Analytics solution, for example, is designed to address one of the NHS's biggest challenges – staff retention. The solution uses data science techniques to predict – with 95% accuracy during the pilot at Medway NHS Foundation Trust – which individual employees are at increased risk of leaving, enabling an NHS trust to take preventative measures.

Underpinning all of the critical activity delivered by NHS SBS this year has been the need to protect the health and wellbeing of its almost 1,000 employees. This organisation's ongoing commitment to meaningful workforce engagement helped it retain certification as a Great Place to Work®.

In financial terms, 2021 was also highly successful for NHS SBS, resulting in revenues of £90.5 million (2020: £83.2 million) and operating profit for the year of £11.9 million (2020: £9.5 million).

#### cxpartners Limited

After the successful purchase of cxpartners Limited in 2020, the entity has performed well, strengthening the Company's expertise in consultancy and contributing £6.6 million of revenue with operating profit of £0.5 million. There is a strong cultural fit between the two organisations, allowing good integration which will continue through 2022. We are increasingly able to leverage cxpartners Limited's sought-after user experience skills into more of the traditional Company offers, and build our consulting brand.

#### CeleScan Limited

In June 2021, CeleScan Limited was incorporated, a company jointly run by the Royal Marsden NHS Foundation Trust, the Institute for Cancer Research, London and Sopra Steria Limited. The aim of the company is to use a deep-learning, artificial intelligence algorithm to accelerate the time taken to perform diffusion weight MRI scans used in the diagnosis of cancer. Each partner in the venture brings different elements, the Royal Marsden bringing clinical facilities, the Institute for Cancer Research, London provided the algorithm and Sopra Steria brings digital transformation, marketing and is building the software as a medical device at scale. Sopra Steria Limited owns 51% of the share capital. A patent has been secured in the UK and is being sought in Europe, USA, Japan, India and South Korea. The company is currently pre-revenue with a 2021 operating loss of £0.4 million, but the software build is largely complete, subject to testing, and we will seek the necessary certification for a medical device in 2022. We aim to sell predominantly "physician-to-physician" based on the expertise of our founders, achieving significant annuity revenue from high volumes of scans. We are involved in preliminary discussions with a number of healthcare providers in public and private sectors, in UK, Europe and beyond. This software as a medical device supports the NHS's long-term plan and the Government's "War on Cancer". There is a relentless demand for MRI scans and this has been exacerbated by delays caused by the COVID-19 pandemic.

#### Sopra Steria Financial Services Limited (SSFS)

In February 2021, SSFS was incorporated. This is a 100%-owned subsidiary incorporated as part of the Private sector growth strategy, in order to support the delivery of its platform offers, enhanced debt management (EDM) and end-to-end financial services (E2E FS). The business also submitted its application for authorisation with the Financial Conduct Authority (FCA) for permissions in relation to debt collection and debt administration. This application was successfully confirmed in December 2021 along with the regulatory approval of Mr R McElroy as the CEO.

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## **SOPRA STERIA LIMITED**

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### **STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021**

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The company commenced trading at the end of the year, achieving revenue of £39 thousand and an operating loss of £3.9 million. Moving into 2022, SSFS will continue to develop its role within the Private sector growth strategy in order to deliver the EDM and E2E FS offers to the Private sector and wider Sopra Steria client base. This will see continued investment in and development of the platforms, working with group sister company Sopra Banking Software Limited, along with a focus on securing foundation clients for both platforms across the target sectors.

#### **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. Across the Company, SSCL and NHS SBS, we have invested significantly in digital technologies over the period including automation, artificial intelligence, robotic processing, cloud and virtual reality. The three entities also leverage the Group's Sopra Steria Academy for training and have a reach back to Group investment in new technologies such as distributed ledger technology (blockchain) and the Internet of Things (IoT).

As a progressive business concentrating on driving value from digital transformation, we continue to invest in research and development aligned to the future needs of our key accounts and the delivery of contemporary BPO services. Key areas of focus across Sopra Steria Limited, SSCL and NHS SBS during 2021 have included next-generation omni-channel contact centres, natural language processing, hyper-personalised / user-centric design and intelligent business process automation, all underpinned by secure, scalable cloud-native platforms.

Having embedded a 'build to re-use, re-use to build' philosophy and culture across our business, our research and development rarely starts with a blank canvas and we continue to leverage the investments of the broader Sopra Steria Group including making use of Group's mature DevSecOps tooling, re-usable components and expertise in areas like IoT, Blockchain and 5G. As a UK business, we have introduced much greater focus on the technology alliances that support our UK strategy and, by working collaboratively with these partners, we have been able to use our unique expertise and capabilities to drive greater customer value through delivering impactful innovation at pace.

During the year, £nil (2020: £1,282 thousand) of spend on development was capitalised as intangible assets.

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

Sopra Steria categorises risks into four categories: strategic, operational, compliance and financial risk. In 2021, an audit committee structure was voluntarily established to enhance our existing approach to corporate governance. The audit committee is made up from a subset of Excom (explained in the Statement of Corporate Governance Arrangements section on page 20) and meets quarterly. Its purpose is to assure key Company objectives are met (through commissioning audits) and UK-level risks are managed effectively. In support of this, there are a number of specific boards and committees to focus on specific risk areas that are set out below. A synopsis of current risks is provided below:

#### **COVID-19 / Future of Work**

While we are no longer in the crisis phase of our response to the pandemic, we remain vigilant to the emergence of new variants and ready to act quickly. We have been able to consolidate our learnings, strengthening our operational resilience through enhanced business continuity planning and investment in home-working solutions. Staff welfare continues to be our priority and significant time and investment has been spent on the physical and mental well-being of our staff, together with the creation of a new Engagement Manager role to further support this. We have consolidated our property portfolio to reflect new ways of working and reduce now unnecessary overheads (property, facilities, travel). We have an investment plan to improve the remaining portfolio, modelling on our new London HQ with the goal of creating safe spaces that are attractive, collaborative, and productive. This aligns with our challenge to attract and retain talented people.

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## SOPRA STERIA LIMITED

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### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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#### Ukraine / Russia

At the time of writing, the situation in Ukraine is dire. The consequences of Russian aggression is making the world a much more dangerous, volatile and uncertain place. This is creating new risks for the business, not all of which can be practicably foreseen.

The Directors and Group Compliance Function are monitoring the situation closely and frequently to determine any exposure and actions required, particularly with regards to Compliance, Payments, Energy and Resources, Clients, Employees and General Disruption. The Company has no offices, staff or suppliers operating in Ukraine, Russia or Belarus. At a Group level we have an office in Poland, which mainly services clients in France and Germany. In terms of direct supplies we are not impacted, but we continue to have a watching brief regarding the potential impact on costs with rising inflation, likely raw materials shortages, spares shortages, supply interruption and shipping delays on IT equipment and smart phones. While we are not an equipment-intensive business, we have already taken the decision to forward-buy some equipment and hold additional stocks for a period to reduce any short-term impacts. We are very conscious of the increased threat of cyber-attacks and have raised our alert levels accordingly. In respect of energy costs and supplies to our own UK properties and facilities, including our own data centres, we have recently renegotiated our energy contracts through to October 2022. That said, energy and especially gas supply are likely to be very badly impacted by actions beyond our control. In terms of wider disruption, some of our clients are likely to be facing greater exposure either directly as a result of their involvement in services or supply chains or due to rising energy costs (or indirectly due to falling public and business confidence hitting share prices and volumes). However, we are not aware of any which would raise an alarm at this stage. All aspects of this situation continue to be closely monitored.

#### Brexit

The United Kingdom left the European Union on 31 January 2020. In 2020, the EU and the UK reached an agreement which sets out the rules on their new partnership, the UK-EU Trade and Cooperation Agreement that has applied since 1 January 2021. This continues to evolve with different elements of the agreement either expiring or coming into force. We have seen little impact of Brexit on our business thus far and we believe this will continue. We monitor the situation as new information emerges. In the longer-term as the UK develops its own laws and rules, we do expect the new regulation to impact Sopra Steria in the UK, but no more so than any other regulatory change.

#### Pension Scheme

The value of the deficit in the defined benefit pension schemes increases or reduces year-on-year, in line with changes in actuarial 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. The schemes' investment portfolios and hedging practices are designed to mitigate this risk as much as possible. 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 most recent triennial valuations are being completed in 2022.

#### People / Human resources risk

In a services business where certain skills can be rare and clients have changing requirements, human resources risks are naturally critical. We have two notable risks at present: sickness (including a spectrum of health and well-being issues) and talent.

Furthermore, we are in a challenging labour market. According to the Resolution Foundation there are some 600,000 people who have left the UK workforce. As the UK has low unemployment this is leaving many job vacancies unfulfilled, which in turn is creating further shortages and companies employing different approaches to attract those who are active including large pay increases and flexible working hours. We do have a material level of vacancies in our business and perceive this as our biggest risk during 2022. We are re-thinking our talent acquisition approach, structure, policies and other factors which attract and retain staff. We are prepared

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## SOPRA STERIA LIMITED

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### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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to make radical changes in order to mitigate this risk and we use the Great Place to Work survey to inform us on what we can do to become the employer of choice.

We recognise that diversity is key to a thriving business and that we are not as diverse as we need to be and would like to be. Diversity is a key ingredient to thinking differently, innovating and understanding our customer's drivers. In 2019, the Company put in place long-term policies to bring in more women to redress the gender imbalance, to remove the gender pay gap and encourage more women to attain more senior positions within the Company. We then appointed a Diversity and Inclusion manager to lead these initiatives. We have a flourishing network for women as well as networks to encourage and support people from a diverse range of backgrounds and groups. While embryonic, these are positive steps which we are taking as part of our commitment to improve our gender, diversity and inclusion.

#### **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.

#### **Supplier / Supply-Chain Risk**

As a services company, we are not generally exposed to the global supply-chain risk nor goods shortages, with the exception of the chip shortage for general hardware, and energy cost inflation. However, we continue to monitor and have a number of mitigating strategies in place such as forward-buying of energy and hardware. Shortages are thus having only minimal impact at present but we continue to monitor.

We do however have some exposure to failures in our services supply-chain. For example we may utilise the services of other suppliers in our offers and those companies may suffer financial distress and / or become insolvent. Maintaining continuity of services to our clients is paramount. We mitigate by firstly doing supplier financial checks before selecting them, ensuring they have robust business continuity and IT disaster recovery plans; and ongoing financial monitoring. Where possible and cost-effective, we may seek to establish secondary suppliers of the same services. With unique technology services, secondary suppliers may not exist, and services may be highly integrated, meaning transitioning away is lengthy and / or costly. With the pandemic hitting many companies, we face an increased risk from financial insolvency within our supply-chain. We monitor closely and where we have concerns, we engage closely with the supplier and put in place our mitigation plans.

#### **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 Defence, and contractual obligations often reflect this.

We are also a strategic supplier to the UK Government, meaning we are subject to increased scrutiny: including regular financial due diligence, prompt payment compliance, and we comply with Government procurement mandates such as Net Zero plans and the drive for Social Value.

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

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## **SOPRA STERIA LIMITED**

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### **STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021**

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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.

#### **FINANCIAL RISK MANAGEMENT**

##### **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 a minimum rating of "A" are accepted.

##### **Liquidity and cashflow 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.

Largely as a result of the impact of COVID-19, akin to supply-chain risk, we face the same upstream risk of our customers facing financial challenges. The impact of this is delays in or non-payment of invoices and potentially loss of future revenues impacting our financial performance. We have adapted our supplier monitoring to track the financial performance of significant private sector customers too.

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 a financing policy is largely centralised by the Company's ultimate parent. The Company has no external financing.

##### **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 and its cash pooling arrangements, the Company hedges any significant foreign exchange risk primarily through forward contracts.

##### **Price risk**

Price risk is the risk that the value of a security or investment will decrease. To mitigate this risk, the Directors actively manage the Company's investments in order to diversify customers and markets and to grow the revenues and profits of these businesses.

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## SOPRA STERIA LIMITED

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### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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#### FINANCIAL KEY PERFORMANCE INDICATORS

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

|  | 2021<br>£000 | 2020<br>£000 |
|--|--------------|--------------|
| Turnover   | 401,170      | 384,937      |
| Operating profit before restructuring costs and share-based payments | 25,101       | 8,050        |
| Profit before tax  | 32,997       | 354          |

#### OTHER KEY PERFORMANCE INDICATORS

The Company's performance on environmental and sustainability issues is discussed in the Directors' Section 172(1) statement below.

The Company is a signatory to the Prompt Payment Code and measures its success in paying suppliers in a timely fashion. It has consistently met its target of paying 95% of all suppliers within 60 days (see the Directors' Section 172(1) Statement below).

|  | H2 2021 | H1 2021 | H2 2020 | H1 2020 |
|--|---------|---------|---------|---------|
| Percentage of invoices paid within 60 days       | 99      | 98      | 98      | 98      |
| Percentage of invoices paid to contractual terms | 90      | 85      | 73      | 91      |

The payment performance has been improving well over time, however, the percentage of invoices paid to terms in H2 2020 was unusually low due to the cyber-attack referred to in the 2020 Business Review.

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## SOPRA STERIA LIMITED

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### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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#### DIVERSITY AND EMPLOYEES WITH DISABILITIES STATEMENT

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. As such, our Company champions diversity, inclusion and fairness; supporting employee engagement and professional development; and employee wellbeing. Our vision is to create an inclusive culture that embraces difference as a source of creativity, innovation and competitive advantage. We want every employee to feel valued, fairly treated, respected and able to do their best work to grow the business.

To support our inclusion vision, we have a growing family of employee inclusion networks who work together to influence and support our 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+, race and culture. 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 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.

We have also rolled out a 'Zero Tolerance' pledge relating to harassment, bullying and offensive behaviour to help everyone learn how to treat one another with dignity and respect and create a workplace culture where everyone can truly be themselves.

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 and guarantees an interview for all applicants with disabilities.

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.

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## SOPRA STERIA LIMITED

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### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 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 their duty under section 172, 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-centricity is a fundamental part of our strategy, while 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 our customer focus, the Company has implemented a 'Voice of the Customer' (VOC) programme, based on the Net Promoter Score system, 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;
- support the creation of a first-class client experience;
- encourage a client first culture;
- demonstrate that Sopra Steria Limited values its clients' opinions; and,
- build client loyalty and drive brand advocacy.

The VOC programme enables the analysis of client feedback to provide insight into areas for improvement or specific issues and concern. These findings are implemented as action plans at a sector and account level to ensure that specific issues and concerns are addressed speedily and effectively. The Net Promoter Scores and VOC outputs are compared alongside complaints and compliments received to identify trends, lessons learned and areas for continual improvement. The Company-wide results and trends will be reviewed year-on-year to drive strategic improvements.

In addition to the programme, the Company has introduced Executive Client 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, and identifying innovative solutions to address those needs.

#### Suppliers and partners

The Company has a robust supplier engagement programme which is focused on mitigating risk and reducing costs but as importantly, providing best value to customers and our own internal business, through a supplier base that promotes and supports innovation, collaboration and sustainability.

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## SOPRA STERIA LIMITED

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### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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The Company works with a wide range of suppliers from hyper-scale providers of services such as Cloud to SMEs which bring agility and innovation into solutions. We operate a robust due-diligence and supplier onboarding process and actively support suppliers through that process. This process covers, amongst other things, financial risk and compliance with cyber-security requirements, pertinent to the services being provided. We also take a tiered approach to engagement and periodic meetings with different suppliers.

The Company is continually working to ensure its supply chain is:

- driving commercial value for all parties, with the right controls and risk management in place;
- representative and accessible to the wide range and size of suppliers available in the marketplace;
- a source of innovation and economic opportunity for all;
- comprised of businesses operating ethically and sustainably; and
- reducing carbon emissions and waste. The Company also works closely with Sopra Steria Group S.A. setting targets to increase compliance with Group-wide initiatives and programs across its supplier profile.

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. The Company also works closely with its ultimate parent, setting targets to increase compliance with Group-wide initiatives and programs across its supplier profile.

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 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 (see the Other Key Performance Indicators section on page 12). In addition, and in line with the changes introduced to the Prompt Payment Code in 2021, the Company has a target to pay suppliers with fewer than 50 employees no more than 30 days after receiving a valid invoice. 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 the 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. In 2021, there were 6 full Forum meetings.

The Forum is made up of representatives, elected every two years, to represent their colleagues from across the business, sectors, functions and professional communities. These elections were carried out during March 2021 with the new representatives taking up their roles in April.

The Forum was set up to represent the interests of Sopra Steria UK employees and give them an independent voice, acting as a channel between them and company management. As part of this, in September 2021, the Forum launched the Temperature Check – a short survey aimed at gathering opinions on key topics that affect employees, their colleagues, and our business. Incorporating a standard set of wellbeing questions, the survey also looks to get a deeper understanding of key issues affecting employees like returning to offices after the pandemic. The results of the survey are shared and discussed with the Excom and Sector leadership to highlight areas of concern or interest from employees. The outputs also fed into planning for future ways of working.

The Forum 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. In 2021, the Forum representatives were involved in 3 formal consultations and consulted on a number of key topics including changes to the End of Year review, wellbeing initiatives, and changes in the business structure.

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## SOPRA STERIA LIMITED

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### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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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 Communications

A comprehensive suite of internal communication channels helps to bring the communication strategy to life, aligning employees to the Company's operational activities, vision and purpose and promoting trust and understanding in the Company's direction.

Including – but not limited to – video and e-newsletters, an intranet, digital magazine and screens, employee forums, face-to-face and interactive virtual team meetings and all-employee events, we appeal to our diverse population using creative and informative means, promoting a two-way flow of information to deepen their connection to the business.

With the pandemic leading to the use of more diverse digital and virtual tools, internal communication isn't just a top-down broadcast, but an engaging dialogue. It encourages innovation and promotes pride in the organisation to make sure employees are confident in its direction and future success.

#### Employee Voice

Employee feedback is key to shaping our people programmes and initiatives because we want our colleagues to feel empowered to shape our business. Regular surveys and elected representatives on the employee forum all contribute to making sure employee voices are heard, listened to and acted upon.

We have also created a Shape our Future programme, driven by employees' ideas, suggestions and involvement to help shape our future ways of working. As we moved out of the pandemic, we believed we had a unique opportunity to change our previous ways of doing things and to build a stronger future. So, the programme encourages all employees to share what they would change about how we collaborate, communicate, share and listen, as well as how we make the most of modern technologies and what our work environments should look and feel like.

In addition, internal digital social channels such as Yammer encourage collaborative dialogue at all levels, ideas creation and a company-wide sense of community.

All of these activities allow our employees to make positive and continuous contributions to achieving our strategic vision.

#### A Great Place to Work

With wellbeing high on our agenda, and evidence-based data used to drive employee satisfaction, the Company is proud to be listed in the top 20 of the UK's Best Workplaces™ rankings 2022, published by Great Place to Work®

Based on a confidential employee survey and a rigorous assessment process, including a survey of Sopra Steria employees across the UK and a cultural audit submission, the results highlight employee wellbeing, fair treatment, and social value among the organisation's key strengths. Our commitment to putting employee wellbeing at the heart of decision-making, is also recognised by our listing in the first-ever UK's Best Workplaces™ for Wellbeing 2022 by Great Place to Work® UK.

#### Shareholders

The Directors are responsible for the fair treatment of all shareholders in accordance with the articles of association. There are open lines of communication and regular reporting to Group management including monthly financial results and risk monitoring.

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## SOPRA STERIA LIMITED

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### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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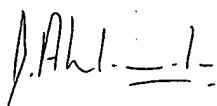
#### Sustainability and social value

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.

This report was approved by the board on 28 July 2022 and signed on its behalf.



**Mr D S Ahluwalia**  
Director

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## **SOPRA STERIA LIMITED**

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### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021**

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The Directors present their report and the financial statements for the year ended 31 December 2021.

#### **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, including FRS 101 "Reduced Disclosure Framework (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 £27,642 thousand (2020: £227 thousand).

No dividends were paid during the year (2020: £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

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## SOPRA STERIA LIMITED

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### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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#### FUTURE DEVELOPMENTS

At the time of writing, the geo-political situation is highly volatile, uncertain and shocking. With it changing on a daily basis, it is not possible to predict any outcomes which may be linked to whether tensions escalate or de-escalate. The Government is having to focus away from essential domestic and economic concerns. It is likely to hit business and consumer confidence, impacting economic recovery. The complexity is compounded by the vast number of inter-linked factors such as raw materials, energy supplies, offshore manufacturing and shipping disruption with knock-on effects which are hard to quantify. Therefore, we leave aside what is not possible or reasonable to speculate, and instead focus on the future should tensions hopefully de-escalate.

During 2022, it is apparent that energy costs, inflation, and interest rates will all be rising significantly, affecting all businesses. Taxes are rising. There are shortages. For example, Sopra Steria Limited is not alone in seeing challenges in finding talent. Fewer people have come back into the workforce post-pandemic. Nurturing a better environment; combatting climate change is existential. Both COVID-19 and the Ukraine crisis have put a spotlight on how much we all now depend on complex and opaque global supply-chains, as well as the power (for good and bad) of digital and data. Sopra Steria Limited is a major player in digital and data, and provides consulting services to help organisations redesign their business operating models. We are at the heart of designing and providing digital services for good.

2020 was a tipping point in human history when the world went digital. Simultaneous and synchronised change happened in the business equivalent of the blink of an eye. It highlighted how quickly we can all adapt when needs must. And this opens our minds to future change. In a crisis, to protect staff and keep services going, organisations prioritised digital home-working, funding it as much as was required, and accelerating every internal process and approval to make it happen. Importantly, the immediacy and universality of the threat meant there was no resistance to change. This has changed how we all think both about our future operating models and the speed of change.

For Sopra Steria Limited, internally we are well underway with our Future of Work transformation. How we work: room vs zoom, when we work, how we collaborate, how we automate, how digital enables, how data improves productivity, how it supports staff wellbeing, and how it positively improves the environment and brings value to society.

The pandemic has been polarising. Inequalities have been highlighted; across society, regions and business models. We support the need for Levelling-Up and Building Back Better, Fairer and Greener. We must continue to be vigilant against new SARS-COV-2 variants. Meanwhile in 2022, the world feels much less safe, and disinformation is a threat to democracy.

Digital now pervades all our lives. There has been an explosion of technological developments large and small, while infrastructure and regulation struggles to catch up. Information has snowballed. As we embed more and more sensors in the real world, so data can be used to improve – through feedback loops and behavioural change. We have machine learning (ML) and artificial intelligence (AI) to harness the sheer scale of data. For our clients, digital and data continue to offer not only a brighter future, but an essential one. As well as the widespread adoption of collaboration tools, there continues to be massive opportunities in shifting work into the Cloud. However, as we digitise the threat of cyber-attack, industrial espionage and political interference and control is all too real and frequent. AI is being used for harm and to manipulate by hostile actors. This intensifies the need for protection and trust. The digital changes stimulated by the pandemic will drive demand for new operating models incorporating more innovation and automation, reconsideration of risk and security, especially in the supply-chain and from cyber-threat, and adoption of greater social and environmental benefit in business.

All this will continue to increase demand for the Company's skills and services. It plays not only to what we deliver, but how we do it. Our values, our culture and our purpose will be key. Digital opens up enormous opportunities: to enable better public services, to allow businesses to radically transform, and to help governments meet big and complex challenges. At Sopra Steria Limited, our mission is to guide our customers, partners, and employees towards bold choices by leveraging digital to build a positive future for all.

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## **SOPRA STERIA LIMITED**

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### **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021**

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#### **ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND EMPLOYEES**

Details of the Company's engagement with suppliers, customers and employees are shown in the Directors' section 172 statement included in the Strategic Report on pages 14 to 17.

#### **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 judgment is given against them, nor will they cover a Director's liabilities to the Company or to an associated company.

#### **SOCIETY AND ENVIRONMENT**

The Company has continued to implement a strategy to limit the environmental impact of its business, developing responsible purchasing programmes which involve its entire value-chain in a shared continuous improvement process and incorporating sustainability principles into its service propositions to support clients in their transition to a net zero carbon economy.

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.

The Company's actions contribute towards the success of Sopra Steria Group in achieving the 'A List' for the fifth 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 13,100 participating in CDP's climate change programme. Sopra Steria Group is committed to the whole Group becoming net zero by the end of 2028. The Company's actions contribute to this plan and have contributed to achieving the 'A' List. In September 2021, the Company published on its website a Net Zero Carbon Reduction Plan which lays out its approach and annual progress towards the objective of achieving net zero emissions.

In 2021, Sopra Steria Group was ranked 60th, by the Financial Times, amongst the Top 100 Climate Leader's List.

Sopra Steria Limited is Carbon Neutral for all of its Offices, Data Centres and Business Travel. A report has been prepared in respect of our group energy consumption data and greenhouse gas emissions which includes an assurance report under ISAE 3000. The Company's environmental management system is certified to ISO14001:2015 and services to customers are Carbon Neutral.

## SOPRA STERIA LIMITED

### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

#### GREENHOUSE GAS EMISSIONS, ENERGY CONSUMPTION AND ENERGY EFFICIENCY ACTION

In compliance with Streamlined Energy and Carbon Reporting (SECR) regulations, the Directors are pleased to report the Company's performance relating to greenhouse gas (GHG) emissions, energy consumption and energy efficiency actions.

|  | 2021      | 2020<br>(as restated) | 2019<br>(as restated) | Baseline Year<br>2015<br>(as restated) |
|--|-----------|-----------------------|-----------------------|--|
| Energy consumption - gas (Kilowatt-hour - kWh)                                       | 2,811,398 | 2,774,416             | 3,173,385             | 3,037,137                              |
| Energy consumption - oil (kWh)   | 7,360     | 10,902                | 7,255                 | 892,618                                |
| Energy consumption - electricity (kWh)   | 3,266,529 | 4,217,368             | 5,314,081             | 10,732,593                             |
| Energy consumption - transport (kWh)   | 665,338   | 998,925               | 4,467,140             | 7,915,822                              |
| Total energy consumption (kWh)   | 6,750,624 | 8,001,610             | 12,961,861            | 22,578,170                             |
| Total energy consumption (kWh) per full-time employee (FTE)                          | 2,626     | 2,917                 | 4,370                 | 6,362                                  |
|  |           |                       |                       |  |
| % change in Total Energy consumption (against baseline)                              | -70.1%    | -64.6%                |                       |  |
| % change in Total Energy consumption (against previous year)                         | -15.6%    | -38.3%                |                       |  |
| % change in Total Energy consumption per FTE (against baseline)                      | -58.7%    | -54.1%                |                       |  |
| % change in Total Energy consumption per FTE (against previous year)                 | -10%      | -33.2%                |                       |  |
|  |           |                       |                       |  |
| Scope 1 tCO <sub>2</sub> (e)   | 601       | 543                   | 601                   | 789                                    |
| Scope 2 (location-based) tCO <sub>2</sub> (e)  | 694       | 983                   | 1,358                 | 4,958                                  |
| Total Scope 1 + 2 (location-based) emissions tCO <sub>2</sub> (e)                    | 1,294     | 1,526                 | 1,959                 | 5,747                                  |
| Scope 3 tCO <sub>2</sub> (e)   | 34,952    | 35,296                | 37,343                | 38,511                                 |
| Total greenhouse gas (GHG) emissions tCO <sub>2</sub> (e)                            | 36,246    | 36,822                | 39,302                | 44,258                                 |
|  |           |                       |                       |  |
| % change in Total GHG emissions (against baseline)                                   | -18.1%    | -16.8%                |                       |  |
| % change in Total GHG emissions (against previous year)                              | -1.6%     | -6.3%                 |                       |  |
|  |           |                       |                       |  |
| Total GHG emissions per FTE tCO <sub>2</sub> (e)                                     | 14.10     | 13.42                 | 13.25                 | 12.47                                  |
| % change in Total GHG emissions per FTE (against baseline) tCO <sub>2</sub> (e)      | -88.8%    | -81.5%                |                       |  |
| % change in Total GHG emissions per FTE (against previous year) tCO <sub>2</sub> (e) | -39.4%    | -79.4%                |                       |  |
|  |           |                       |                       |  |
| Scope 2 (market based) tCO <sub>2</sub> (e)  | -         | -                     | -                     | 928                                    |
| Total GHG emissions (based on Scope 2 market basis) tCO <sub>2</sub> (e)             | 35,552    | 35,839                | 37,944                | 40,228                                 |
| Total GHG emissions per FTE (based on Scope 2 market basis) tCO <sub>2</sub> (e)     | 13.83     | 13.07                 | 12.79                 | 11.34                                  |

All of the above energy consumption and GHG emission disclosure relates to UK operations.

#### GHG

Greenhouse gas: An atmospheric gas, such as water vapour, carbon dioxide, methane and nitrous oxide, responsible for the greenhouse effect, which has led to the acceleration of global warming and climate change.

#### tCO<sub>2</sub> (e)

Tonnes of carbon dioxide equivalent: allowing other greenhouse gas emissions to be expressed in terms of carbon dioxide based on their relative global warming potential.

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## SOPRA STERIA LIMITED

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### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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#### Methodology

Our reporting follows the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, applying the operational control approach to our organisation's boundary against a materiality threshold of 5%. Any source of emissions that emits less than 5% of corporate emissions is regarded as immaterial. Nevertheless, for completeness we have included immaterial emissions within our total carbon footprint where data is available. In 2021, we have amended our methodology to report beyond minimum compliance with SECR to disclose a full set of relevant GHG emissions to support the transition to net zero emissions.

Our gross carbon emissions have been classified in the following way:

Scope 1 - Direct emissions from: gas used in buildings for heating, fuel used in back-up power generators and fugitive emissions from air conditioning units.

Scope 2 - Indirect emissions from: electricity used in offices, on-site data centres and through electric charging points which we own. We report both location-based emissions (taking into account the UK grid average) and market-based emissions (reflecting the amount of energy from renewable sources).

Scope 3 - Indirect emissions from: business travel (by air, road and rail); hotel stays; upstream emissions from purchased fuel and electricity; electricity consumed in a transmission & distribution system and off-site data centres; wastewater treatment; waste recycling & disposal; purchased goods and services; employee commuting and employees working from home.

The most recent emission factors have been applied to the calculation of greenhouse gas emissions for the financial year ended 31 December 2021: BEIS (DEFRA): UK Government GHG Conversion Factors for Company Reporting (year 2021); the European Residual Mixes 2017 for the United Kingdom - Association of Issuing Bodies and ADEME (2016).

#### Energy efficiency actions

The Company has continued to address energy efficiency, leading to a year-on-year reduction in our energy intensity (per full-time employee) of 10%, as shown in the table above. Approximately 27% of the reduced energy consumption in 2021 was a result of restricted activities due to COVID-19.

Since our baseline year of 2015, our absolute energy footprint has decreased by 70.1%.

In 2021, the Company undertook energy efficiency initiatives and investment in measures to reduce our carbon emissions, including the following:

- The Company signed an agreement to upgrade its company car scheme, which will focus entirely on environmentally friendly and tax-efficient Battery Electric Vehicles (BEVs) and Plug-in Hybrid Electric Vehicles (PHEVs). The scheme will be launched in 2022 and also offer support to employees with arranging discounted home charging points.
- Further upgrades of lighting to energy efficient alternatives and LEDs was completed in 2021 at the Three Cherry Trees Lane and Maxted Road offices in Hemel Hempstead. This is expected to contribute to an annual reduction of 5,194 kWh and 1.1 tonnes of CO<sub>2</sub>.
- We completed the replacement of existing T8 lights, which commenced in late 2020, for light fittings using efficient LEDs at our office in Hemel Hempstead. This will result in annual savings of 25,893 kWh and 12 tonnes of CO<sub>2</sub>.

Sopra Steria Group, as part of its commitment to become net zero for CO<sub>2</sub> emissions by 2028, is embracing the United Nations' Climate Neutral NOW programme. For the 2021 financial year, Sopra Steria Group's Offices, Business Travel and Data Centre emissions are net zero under Climate Neutral NOW.

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## **SOPRA STERIA LIMITED**

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### **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021**

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#### **MATTERS COVERED IN THE STRATEGIC REPORT**

Details of the Company's engagement with suppliers, customers and employees (page 14), its research and development policy (page 7), as well as its financial risk management objectives and policies (page 7), diversity policy (including a statement describing the Company's policy regarding the hiring, continuing employment and training, career development and promotion of disabled persons) (page 12) and its exposure to financial instrument risk (page 12) are included in the Strategic Report.

#### **STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS**

The governance framework of the Group delegates authority for local decision-making to the Company, up to defined levels of cost and impact. The Company has set up its own governance framework within its delegated authority. As part of the Company's governance framework under this delegated authority, the Company has an Executive Committee (ExCom) who are primarily responsible for the day-to-day management of the Company. ExCom meet on a monthly basis to oversee the development and implementation of strategy and to monitor the Company's performance.

ExCom includes Mr J N M Neilson, Mr D S Ahluwalia and M P-Y Commanay who are also Directors of the Company.

The Board delegates the management of certain operational matters via ExCom to management committees and groups comprising operational leaders and subject matter experts to support it in discharging its obligations. Reports are regularly made to the Group Board by the business about the strategy, performance and key decisions taken that provides the Group Board with assurance that the Company is being operated in accordance with the Group governance framework and Group policies.

The Company does not apply a corporate governance code, but has an Organisation and Governance policy covering the organisation and governance principles for the UK business, including ExCom meetings, risk, operations, management engagement and strategy development. The Company has not departed from this Policy.

Sopra Steria Group S.A. follows the AFEP-MEDEF code. The AFEP-MEDEF code can be found at: [https://afep.com/wp-content/uploads/2020/01/Afep\\_Medef-Code-revision-2020-EN-.pdf](https://afep.com/wp-content/uploads/2020/01/Afep_Medef-Code-revision-2020-EN-.pdf). By virtue of following group policies, the Company effectively complies with this code.

Information on officer compensation and other sections of the code relating to the Board are covered by UK company law, as well as the Company's Organisation and Governance policy.

Gender diversity and Training are covered by the Company's HR policies. Both Diversity and Employee representation are covered in the strategic report on pages 14 and 13 respectively. Non-competition agreements have been signed by the Directors in accordance with Company policy.

Compensation of the Directors of the Company is controlled by Sopra Steria Group S.A., so this area of the code is not applicable to the Company.

The following sections of the code are also considered not to be applicable to the Company:

Diversity of forms of organisation of governance, Communication with shareholders and markets, Shareholder's meeting, Independent directors, Employment contracts, Evaluation of the board, Duration of terms of office, Audit committee, Nominations committee, Compensation committee, Number of directorships, Requirement to hold shares.

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## **SOPRA STERIA LIMITED**

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### **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021**

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#### **GOING CONCERN**

As discussed in note 1.4, the Company's detailed financial plans, together with its financial resources, long-term contracts, diverse customers and risk mitigation processes lead the Directors to conclude that the Company will continue in operational existence for the foreseeable future and therefore they continue to adopt the going concern basis of accounting in preparing the financial statements.

#### **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.

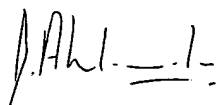
#### **EVENTS AFTER THE REPORTING PERIOD**

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

#### **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 28 July 2022 and signed on its behalf.



**Mr D S Ahluwalia**  
Director

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## SOPRA STERIA LIMITED

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### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOPRA STERIA LIMITED

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#### Opinion

We have audited the financial statements of Sopra Steria Limited (the 'Company') for the year ended 31 December 2021 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 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

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

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our audit procedures to evaluate the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Company's ability to continue as a going concern;
- Obtaining an understanding of the process undertaken by the Directors when assessing the Company's ability to continue as a going concern;
- Evaluating the Directors' method to assess the Company's ability to continue as a going concern;
- Reviewing the Directors' going concern assessment;
- Evaluating the key assumptions used and judgments applied by the Directors in forming their conclusions on going concern; and
- Reviewing the appropriateness of the Directors' disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

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## **SOPRA STERIA LIMITED**

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### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOPRA STERIA LIMITED (CONTINUED)**

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#### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Directors' Report. 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.

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

#### **Matters on which we are required to report by exception**

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

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

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

#### **Responsibilities of Directors**

As explained more fully in the Directors' Responsibilities statement set out on page 18, 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.

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## SOPRA STERIA LIMITED

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

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#### 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment laws and regulations (including health and safety) and laws and regulations relating to unethical and prohibited business practices.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as taxation legislation, pension legislation, the Companies Act 2006.

In addition, we evaluated the Directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgments and assumptions in significant accounting estimates, in particular in relation to provisions and the defined benefit pension obligation, revenue recognition (which we pinpointed to the cut-off assertion), and significant one-off or unusual transactions

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the Directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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**SOPRA STERIA LIMITED**

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

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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](http://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.



Jennifer Birch (Senior statutory auditor)

for and on behalf of

**Mazars LLP**  
Chartered Accountants and Statutory Auditor  
2 Chamberlain Square  
Birmingham  
B3 3AX

8 August 2022

**SOPRA STERIA LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2021**

|  | Note | 2021<br>£000  | 2020<br>£000    |
|--|------|---------------|-----------------|
| Turnover   | 3    | 401,170       | 384,937         |
| Administrative expenses  |      | (376,959)     | (377,884)       |
| Other operating income   | 4    | 890           | 997             |
| Share-based payments   | 5    | (765)         | (1,015)         |
| Restructuring costs  |      | (2,413)       | (7,326)         |
| <b>Operating profit / (loss)</b>                                     | 6    | <b>21,923</b> | <b>(291)</b>    |
| Income from shares in group undertakings                             |      | 11,000        | 2,000           |
| Interest receivable and similar income                               | 11   | 3,322         | 3,774           |
| Interest payable and similar expenses                                | 12   | (1,696)       | (3,150)         |
| Other finance costs  | 13   | (1,552)       | (1,979)         |
| <b>Profit before tax</b>   |      | <b>32,997</b> | <b>354</b>      |
| Tax on profit  | 14   | (5,355)       | (127)           |
| <b>Profit for the financial year</b>                                 |      | <b>27,642</b> | <b>227</b>      |
| <b>Other comprehensive income:</b>                                   |      |               |                 |
| <b>Items that may be reclassified to profit or loss:</b>             |      |               |                 |
| Cash flow hedges   |      | -             | 63              |
| Deferred tax regarding cash flow hedges                              |      | -             | (12)            |
|  |      | -             | 51              |
| <b>Items that will not be reclassified to profit or loss:</b>        |      |               |                 |
| Actuarial gain / (loss) on defined benefit schemes                   | 28   | 60,451        | (30,778)        |
| Deferred tax (charge) / credit regarding pension contribution excess | 24   | (21,014)      | 1,983           |
| Current tax credit regarding pension contribution excess             |      | 5,901         | 3,865           |
| Change in tax rate   | 24   | 7,193         | 2,189           |
|  |      | 52,531        | (22,741)        |
| <b>Total comprehensive income / (loss) for the year</b>              |      | <b>80,173</b> | <b>(22,463)</b> |

All results presented above arise from continuing operations.

The notes on pages 34 to 74 form part of these financial statements.

**SOPRA STERIA LIMITED**  
**REGISTERED NUMBER:04077975**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2021**

|   | Note | 2021<br>£000          | 2020<br>£000          |
|---|------|-----------------------|-----------------------|
| <b>FIXED ASSETS</b>                                     |      |                       |                       |
| Goodwill  | 15   | 49,945                | 49,945                |
| Other intangible assets                                 | 16   | 166                   | 13,718                |
| Tangible assets   | 17   | 21,839                | 24,878                |
| Investments   | 18   | 50,579                | 42,573                |
|   |      | <u>122,529</u>        | <u>131,114</u>        |
| <b>CURRENT ASSETS</b>                                   |      |                       |                       |
| Debtors: amounts falling due after more than one year   | 19   | 211,056               | 211,160               |
| Debtors: amounts falling due within one year            | 19   | 87,090                | 78,001                |
| Cash and cash equivalents                               |      | 62,819                | 60,770                |
|   |      | <u>360,965</u>        | <u>349,931</u>        |
| Creditors: amounts falling due within one year          | 20   | (138,727)             | (137,913)             |
| <b>NET CURRENT ASSETS</b>                               |      | <u>222,238</u>        | <u>212,018</u>        |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>            |      | <u>344,767</u>        | <u>343,132</u>        |
| Creditors: amounts falling due after more than one year | 21   | (16,909)              | (20,128)              |
|   |      | <u>327,858</u>        | <u>323,004</u>        |
| <b>PROVISIONS FOR LIABILITIES</b>                       |      |                       |                       |
| Provisions  | 23   | (17,849)              | (11,251)              |
|   |      | <u>(17,849)</u>       | <u>(11,251)</u>       |
| <b>NET ASSETS EXCLUDING PENSION LIABILITY</b>           |      | <u>310,009</u>        | <u>311,753</u>        |
| Pension assets  | 28   | 18,394                | 2,762                 |
| Pension liabilities                                     | 28   | (54,234)              | (122,656)             |
| <b>NET ASSETS</b>                                       |      | <u><u>274,169</u></u> | <u><u>191,859</u></u> |

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**SOPRA STERIA LIMITED**  
**REGISTERED NUMBER:04077975**

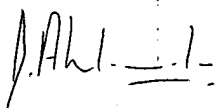
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**STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**AS AT 31 DECEMBER 2021**

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|  | Note | 2021<br>£000   | 2020<br>£000   |
|--|------|----------------|----------------|
| <b>CAPITAL AND RESERVES</b>              |      |                |                |
| Called up share capital                  | 25   | 63,053         | 63,053         |
| Share premium account                    |      | 205,927        | 205,927        |
| Retained earnings / (accumulated losses) |      | 5,189          | (77,121)       |
| <b>SHAREHOLDER'S FUNDS</b>               |      | <u>274,169</u> | <u>191,859</u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 July 2022.



**Mr D S Ahluwalia**  
Director

The notes on pages 34 to 74 form part of these financial statements.

**SOPRA STERIA LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2021**

|   | Called up<br>share capital<br>(note 25)<br>£000 | Share<br>premium<br>account<br>£000 | Retained<br>earnings<br>£000 | Total equity<br>£000 |
|---|---|-------------------------------------|------------------------------|----------------------|
| At 1 January 2021   | 63,053  | 205,927                             | (77,121)                     | 191,859              |
| <b>Comprehensive income for the year</b>                  |   |                                     |                              |                      |
| Profit for the year                                       | -   | -                                   | 27,642                       | 27,642               |
| Actuarial gains on pension schemes (note 28)              | -   | -                                   | 60,451                       | 60,451               |
| Deferred tax charge regarding pension contribution excess | -   | -                                   | (21,014)                     | (21,014)             |
| Change in tax rate  | -   | -                                   | 7,193                        | 7,193                |
| Current tax credit regarding pension contribution excess  | -   | -                                   | 5,901                        | 5,901                |
| <b>Other comprehensive income for the year</b>            | -   | -                                   | 52,531                       | 52,531               |
| <b>Total comprehensive income for the year</b>            | -   | -                                   | 80,173                       | 80,173               |
| Fair value adjustment to group loan                       | -   | -                                   | 1,183                        | 1,183                |
| Change in tax rate (note 24)                              | -   | -                                   | 189                          | 189                  |
| Share-based payments (note 5)                             | -   | -                                   | 765                          | 765                  |
| <b>At 31 December 2021</b>                                | <b>63,053</b>                                   | <b>205,927</b>                      | <b>5,189</b>                 | <b>274,169</b>       |

The notes on pages 34 to 74 form part of these financial statements.

**SOPRA STERIA LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2020**

|   | Called up<br>share capital<br>(note 25)<br>£000 | Share<br>premium<br>account<br>£000 | Accumulated<br>losses<br>£000 | Total equity<br>£000 |
|---|---|-------------------------------------|-------------------------------|----------------------|
| At 1 January 2020   | 63,053  | 205,927                             | (57,192)                      | 211,788              |
| <b>Comprehensive income for the year</b>                  |   |                                     |                               |                      |
| Profit for the year                                       | -   | -                                   | 227                           | 227                  |
| Cash flow hedges  | -   | -                                   | 63                            | 63                   |
| Actuarial losses on pension schemes (note 28)             | -   | -                                   | (30,778)                      | (30,778)             |
| Deferred tax regarding cash flow hedges                   | -   | -                                   | (12)                          | (12)                 |
| Deferred tax charge regarding pension contribution excess | -   | -                                   | 1,983                         | 1,983                |
| Change in tax rate  | -   | -                                   | 2,189                         | 2,189                |
| Current tax credit regarding pension contribution excess  | -   | -                                   | 3,865                         | 3,865                |
| <b>Other comprehensive income for the year</b>            | -   | -                                   | (22,690)                      | (22,690)             |
| <b>Total comprehensive income for the year</b>            | -   | -                                   | (22,463)                      | (22,463)             |
| Fair value adjustment to group loan                       | -   | -                                   | 1,390                         | 1,390                |
| Change in tax rate (note 24)                              | -   | -                                   | 129                           | 129                  |
| Share-based payments (note 5)                             | -   | -                                   | 1,015                         | 1,015                |
| <b>At 31 December 2020</b>                                | <b>63,053</b>                                   | <b>205,927</b>                      | <b>(77,121)</b>               | <b>191,859</b>       |

The notes on pages 34 to 74 form part of these financial statements.

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## SOPRA STERIA LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 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 UK-adopted International Accounting Standards 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 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 s401 of the Companies Act 2006 as at 31 December 2021, 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:

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## SOPRA STERIA LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 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 International Accounting Standards in conformity with the Companies Act 2006;
- 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 30.

##### 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:

|  | UK-adopted effective date,<br>periods beginning on or after |
|--|---|
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform Phase 2  | 1 January 2021  |
| Amendments to all UK and Republic of Ireland accounting standards, including FRS 100 Application of Financial Reporting Requirements (FRS 100) and FRS 101 - UK exit from the European Union | 1 January 2021  |
| Amendments to IFRS 16 - Covid-19-Related Rent Concessions beyond 30 June 2021  | 1 April 2021  |

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## **SOPRA STERIA LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

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#### **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 four-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. 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.

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## SOPRA STERIA LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 1. ACCOUNTING POLICIES (CONTINUED)

##### 1.5 Revenue

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties.

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.

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

The Company often enters into contracts that have delivery penalties such as service credits and milestone delay payments. At contract inception, the Company uses its accumulated historical experience to estimate the expected reduction in the transaction price for such refunds. This

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## SOPRA STERIA LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 1. ACCOUNTING POLICIES (CONTINUED)

##### 1.5 Revenue (continued)

assessment is 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.

##### 1.6 Income from investments

Dividends received are included in the Statement of Comprehensive Income in the period in which the right to receive payment is established. Usually, this is when the dividends are received.

##### 1.7 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 lease on the Hemel Hempstead office buildings are for a longer period, running to 2053 and 2106.

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.

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:

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## SOPRA STERIA LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 1. ACCOUNTING POLICIES (CONTINUED)

##### 1.7. Leases (continued)

- 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' in 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, with a corresponding charge to the Statement of Comprehensive Income for the interest and a credit to bank for the lease payments.

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 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.

Right-of-use assets are depreciated over the shorter period of lease-term and useful life of the underlying asset. 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 1.10.

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.

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## SOPRA STERIA LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 1. ACCOUNTING POLICIES (CONTINUED)

##### 1.8 Goodwill and impairment of 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.

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. The Directors have chosen 20 years, as that is the period over which benefits are expected to be derived. 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 (2020: £3,508 thousand) and an increase to equity of £26,269 thousand (2020: £22,761 thousand).

##### 1.9 Intangible assets

Software and licences are included as part of Intangible Assets. Licences include amounts paid for the right to sell services to third parties.

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 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 and 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              |

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## SOPRA STERIA LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 1. ACCOUNTING POLICIES (CONTINUED)

##### 1.10 Tangible fixed assets

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

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

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

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

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

|                             |   |
|-----------------------------|---|
| Right-of use property       | - Over the period of the lease, or 25 to 40 years |
| Plant and machinery         | - 3 to 15 years                                   |
| Right-of-use motor vehicles | - Over the period of the lease                    |
| Right-of-use equipment      | - 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 profit or loss.

##### 1.11 Impairment of fixed assets

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 an 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. 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.

##### 1.12 Valuation of investments

Investments in subsidiaries and related companies are measured at cost less accumulated impairment.

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## SOPRA STERIA LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 1. ACCOUNTING POLICIES (CONTINUED)

##### 1.13 Cash and cash equivalents

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

##### 1.14 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.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

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.

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## SOPRA STERIA LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 1. ACCOUNTING POLICIES (CONTINUED)

##### Financial instruments (continued)

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.

Where receivables due from group companies after one year have an interest rate that is not considered to be a market rate, the carrying value of such an instrument is adjusted to its fair value using a discount rate based on interest rates available in similar situations. Adjustments to the fair value caused by changes in the market interest rate, or the deferred tax rate are charged or credited directly to reserves in the Statement of Changes in Equity.

##### Financial liabilities

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

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

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## SOPRA STERIA LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 1. ACCOUNTING POLICIES (CONTINUED)

##### 1.15 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 profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

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

##### 1.16 Finance and borrowing costs

Finance costs are charged to profit or loss 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.

##### 1.17 Share-based payments

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

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

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

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## SOPRA STERIA LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 1. ACCOUNTING POLICIES (CONTINUED)

##### 1.18 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 profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

###### Defined benefit pension plan

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

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

The defined benefit obligation is calculated using the projected unit credit method. 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, 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'.

##### 1.19 Interest income

Interest income is recognised in profit or loss using the effective interest method.

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## SOPRA STERIA LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 1. ACCOUNTING POLICIES (CONTINUED)

##### 1.20 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.

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## SOPRA STERIA LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 1. ACCOUNTING POLICIES (CONTINUED)

##### 1.21 Current and deferred taxation

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

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

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

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

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

##### 1.22 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.

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## SOPRA STERIA LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 2. CRITICAL ACCOUNTING JUDGMENTS 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 judgments, 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 accounting judgments and key sources of estimation uncertainty that the Directors have considered 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 critical accounting judgments and key sources of estimation uncertainty are as follows:

##### **Critical accounting judgments**

###### **Defined benefit pension obligations**

The valuation of the defined benefit pension obligation requires assumptions to be selected, in particular the discount rate used. The Directors take advice from independent actuaries in order to ensure that the assumptions selected are appropriate. Further details including carrying amounts, assumptions used and sensitivity analysis are contained in note 28.

###### **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 24.

###### **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 Company's incremental borrowing rate is used, being the rate that the Company 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. Further details are contained in note 22.

##### **Key sources of estimation uncertainty**

###### **Contractual issues**

The estimation of the financial effect of contractual issues (see note 23) 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.

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## SOPRA STERIA LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 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 cash flows of the subsidiary or business concerned. Further details are contained in note 18.

##### 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 judgment 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 judgmental, due to assumptions being made in respect of future events such as achievement of KPIs and future contract milestones. Further details are contained in note 1.5.

##### 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.

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## SOPRA STERIA LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 3. TURNOVER

All turnover relates to computing, consultancy and business processing outsourcing services. An analysis of turnover by customer sector is as follows:

|                | 2021<br>£000   | 2020<br>£000   |
|----------------|----------------|----------------|
| Public sector  | 315,526        | 295,731        |
| Private sector | 85,644         | 89,206         |
|                | <u>401,170</u> | <u>384,937</u> |

Analysis of turnover by country of destination:

|                   | 2021<br>£000   | 2020<br>£000   |
|-------------------|----------------|----------------|
| United Kingdom    | 391,894        | 376,609        |
| Rest of Europe    | 7,935          | 6,766          |
| Rest of the world | 1,341          | 1,562          |
|                   | <u>401,170</u> | <u>384,937</u> |

Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period amounted to £16,060 thousand (2020: £15,394 thousand).

#### 4. OTHER OPERATING INCOME

|               | 2021<br>£000 | 2020<br>£000 |
|---------------|--------------|--------------|
| Rental income | 890          | 997          |

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## SOPRA STERIA LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 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 2021, the Company set a matching level of one matching share for every one partnership share purchased.

##### 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 2.4 years (2020: 0.25 years).

The Company's share-based payment arrangements are entirely equity-settled and resulted in an expense in the year of £765 thousand (2020: £1,015 thousand). Sopra Steria Group S.A. is obligated for the settlement of the shares.

#### 6. OPERATING PROFIT / (LOSS)

The operating profit is stated after charging:

|   | 2021<br>£000 | 2020<br>£000 |
|---|--------------|--------------|
| Depreciation of tangible fixed assets (note 17) | 4,287        | 6,642        |
| Impairment of tangible fixed assets             | -            | 2,550        |
| Amortisation of intangible assets (note 16)     | 13,507       | 14,916       |
| Loss on disposal of tangible fixed assets       | 805          | 289          |
| Loss on disposal of intangible assets           | 287          | -            |
| Exchange differences                            | 168          | 4            |
| Share-based payments (note 5)                   | 765          | 1,015        |

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**SOPRA STERIA LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**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.

|                                   | <b>2021</b> | <b>2020</b> |
|-----------------------------------|-------------|-------------|
|                                   | <b>£000</b> | <b>£000</b> |
| Fees for the audit of the Company | <b>238</b>  | <b>229</b>  |

**8. EMPLOYEES**

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

|  | <b>2021</b>    | <b>2020</b>    |
|--|----------------|----------------|
|  | <b>£000</b>    | <b>£000</b>    |
| Wages and salaries                           | <b>146,194</b> | <b>140,981</b> |
| Social security costs                        | <b>17,356</b>  | <b>16,216</b>  |
| Pension costs - defined benefit schemes      | <b>1,708</b>   | <b>1,763</b>   |
| Pension costs - defined contribution schemes | <b>17,685</b>  | <b>18,312</b>  |
| Share-based payments                         | <b>765</b>     | <b>1,015</b>   |
|  | <b>183,708</b> | <b>178,287</b> |

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

|                | <b>2021</b>  | <b>2020</b>  |
|----------------|--------------|--------------|
|                | <b>No.</b>   | <b>No.</b>   |
| Operations     | <b>2,234</b> | <b>2,367</b> |
| Administration | <b>337</b>   | <b>376</b>   |
|                | <b>2,571</b> | <b>2,743</b> |

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**SOPRA STERIA LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**9. DIRECTORS' REMUNERATION**

|                       | <b>2021</b>  | <b>2020</b>  |
|-----------------------|--------------|--------------|
|                       | <b>£000</b>  | <b>£000</b>  |
| Directors' emoluments | <b>1,499</b> | <b>1,240</b> |

The highest paid Director received remuneration of £823 thousand (2020: £591 thousand).

The total accrued pension provision of the highest paid Director at 31 December 2021 amounted to £52 thousand (2020: £52 thousand). The highest paid Director is different to the 2020 highest paid Director, hence the comparative has been amended for consistency.

The value of the Company's contributions paid to both defined contribution and defined benefit pension schemes in respect of the highest paid Director amounted to £nil (2020: £nil).

During the year, 2 Directors received shares under long-term incentive schemes and exercised options on the vesting of those schemes (2020: 3).

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 £1,499 thousand (2020: £1,240 thousand), 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 SHARES IN GROUP UNDERTAKINGS**

|   | <b>2021</b>   | <b>2020</b>  |
|---|---------------|--------------|
|   | <b>£000</b>   | <b>£000</b>  |
| Dividend received from Shared Services Connected Ltd        | <b>9,000</b>  | -            |
| Dividend received from NHS Shared Business Services Limited | <b>2,000</b>  | <b>2,000</b> |
|   | <b>11,000</b> | <b>2,000</b> |

**11. INTEREST RECEIVABLE AND SIMILAR INCOME**

|  | <b>2021</b>  | <b>2020</b>  |
|--|--------------|--------------|
|  | <b>£000</b>  | <b>£000</b>  |
| Interest receivable from group companies | <b>2,926</b> | <b>3,459</b> |
| Gains on hedging instruments             | <b>310</b>   | <b>87</b>    |
| Other interest receivable                | <b>86</b>    | <b>228</b>   |
|  | <b>3,322</b> | <b>3,774</b> |

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**SOPRA STERIA LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**12. INTEREST PAYABLE AND SIMILAR EXPENSES**

|                               | 2021<br>£000 | 2020<br>£000 |
|-------------------------------|--------------|--------------|
| Discount unwind on provisions | 102          | 91           |
| Losses on hedging instruments | 373          | -            |
| Loans from group undertakings | -            | 1,683        |
| Interest on lease liabilities | 585          | 817          |
| Other group interest payable  | 623          | 543          |
| Other interest payable        | 13           | 16           |
|                               | <u>1,696</u> | <u>3,150</u> |

**13. OTHER FINANCE COSTS**

|   | 2021<br>£000   | 2020<br>£000   |
|---|----------------|----------------|
| Interest income on defined benefit pension scheme assets (note 28)              | 20,619         | 27,667         |
| Net interest expense on net defined benefit pension scheme obligation (note 28) | (22,171)       | (29,646)       |
|   | <u>(1,552)</u> | <u>(1,979)</u> |

**14. TAXATION**

|  | 2021<br>£000 | 2020<br>£000 |
|--|--------------|--------------|
| <b>CORPORATION TAX</b>                           |              |              |
| Current tax credit on profits for the year       | 5,396        | (430)        |
| Adjustments in respect of previous periods       | (67)         | 29           |
| <b>TOTAL CURRENT TAX</b>                         | <u>5,329</u> | <u>(401)</u> |
| <b>DEFERRED TAX</b>                              |              |              |
| Deferred tax - current year                      | 367          | 266          |
| Deferred tax - prior year                        | (341)        | 262          |
| <b>TOTAL DEFERRED TAX</b>                        | <u>26</u>    | <u>528</u>   |
| <b>TAXATION ON PROFIT ON ORDINARY ACTIVITIES</b> | <u>5,355</u> | <u>127</u>   |

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**SOPRA STERIA LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**14. TAXATION (CONTINUED)**

**FACTORS AFFECTING TAX CHARGE FOR THE YEAR**

The tax assessed for the year is lower than (2020: *higher than*) the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

|   | 2021<br>£000 | 2020<br>£000 |
|---|--------------|--------------|
| Profit on ordinary activities before tax  | 32,997       | 354          |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%) | 6,269        | 67           |
| <b>EFFECTS OF:</b>  |              |              |
| Expenses not deductible for tax purposes  | 251          | 200          |
| Non-taxable dividend income   | (2,090)      | (380)        |
| Share-based payments  | 145          | 193          |
| Tax relief on share awards  | (152)        | (72)         |
| Tax relief on shares transferred to SIP   | (162)        | (172)        |
| Rate difference regarding deferred tax  | 1,502        | -            |
| Adjustments to tax charge in respect of prior periods   | (408)        | 291          |
| <b>TOTAL TAX CHARGE FOR THE YEAR</b>  | <b>5,355</b> | <b>127</b>   |

**FACTORS THAT MAY AFFECT FUTURE TAX CHARGES**

The 2021 Finance Act provides that the main rate of corporation tax will increase to 25% with effect from 1 April 2023. As this legislation had been substantively enacted at the end of the reporting period, the impact on the deferred tax balances carried forward has been included in these accounts.

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**SOPRA STERIA LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**15. GOODWILL**

|                            | <b>2021<br/>£000</b> |
|----------------------------|----------------------|
| <b>COST</b>                |                      |
| At 1 January 2021          | <b>58,532</b>        |
| <b>AT 31 DECEMBER 2021</b> | <b>58,532</b>        |
| <b>AMORTISATION</b>        |                      |
| At 1 January 2021          | <b>8,587</b>         |
| <b>AT 31 DECEMBER 2021</b> | <b>8,587</b>         |
| <b>NET BOOK VALUE</b>      |                      |
| <b>AT 31 DECEMBER 2021</b> | <b>49,945</b>        |
| <i>At 31 December 2020</i> | <b>49,945</b>        |

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**SOPRA STERIA LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**16. INTANGIBLE ASSETS**

|                       | Software<br>and licences<br>£000 | Other<br>intangible<br>assets<br>£000 | Internally<br>developed<br>software<br>£000 | Total<br>£000 |
|-----------------------|----------------------------------|---------------------------------------|---|---------------|
| <b>Cost</b>           |                                  |                                       |   |               |
| At 1 January 2021     | 49,112                           | 16                                    | 6,422                                       | 55,550        |
| Additions             | 242                              | -                                     | -   | 242           |
| Disposals             | (38,967)                         | -                                     | (1,420)                                     | (40,387)      |
| At 31 December 2021   | <u>10,387</u>                    | <u>16</u>                             | <u>5,002</u>                                | <u>15,405</u> |
| <b>Amortisation</b>   |                                  |                                       |   |               |
| At 1 January 2021     | 37,600                           | 9                                     | 4,223                                       | 41,832        |
| Charge for the year   | 11,595                           | -                                     | 1,912                                       | 13,507        |
| On disposals          | (38,967)                         | -                                     | (1,133)                                     | (40,100)      |
| At 31 December 2021   | <u>10,228</u>                    | <u>9</u>                              | <u>5,002</u>                                | <u>15,239</u> |
| <b>Net book value</b> |                                  |                                       |   |               |
| At 31 December 2021   | <u>159</u>                       | <u>7</u>                              | <u>-</u>                                    | <u>166</u>    |
| At 31 December 2020   | <u>11,512</u>                    | <u>7</u>                              | <u>2,199</u>                                | <u>13,718</u> |

Included within software and licences was a licence fee payable on a long-term service-based contract with a net book value of £nil (2020: £10,911 thousand) which was being depreciated over the period to October 2021.

**SOPRA STERIA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**17. TANGIBLE FIXED ASSETS**

|  | Right-of-use<br>property<br>£000 | Plant and<br>machinery<br>£000 | Right-of-use<br>motor<br>vehicles<br>£000 | Right-of-use<br>equipment<br>£000 | Total<br>£000 |
|--|----------------------------------|--------------------------------|---|-----------------------------------|---------------|
| <b>COST</b>                                    |                                  |                                |   |                                   |               |
| At 1 January 2021                              | 29,932                           | 28,970                         | 2,689                                     | 2,593                             | 64,184        |
| Additions                                      | 238                              | 951                            | 811                                       | 53                                | 2,053         |
| Disposals                                      | (2,199)                          | (856)                          | (1,224)                                   | (307)                             | (4,586)       |
| At 31 December 2021                            | 27,971                           | 29,065                         | 2,276                                     | 2,339                             | 61,651        |
| <b>Depreciation</b>                            |                                  |                                |   |                                   |               |
| At 1 January 2021                              | 11,177                           | 24,379                         | 1,998                                     | 1,752                             | 39,306        |
| Charge for the year on owned<br>assets         | -                                | 2,051                          | -   | -                                 | 2,051         |
| Charge for the year on right-<br>of-use assets | 942                              | -                              | 628                                       | 666                               | 2,236         |
| Disposals                                      | (1,454)                          | (797)                          | (1,224)                                   | (306)                             | (3,781)       |
| At 31 December 2021                            | 10,665                           | 25,633                         | 1,402                                     | 2,112                             | 39,812        |
| <b>Net book value</b>                          |                                  |                                |   |                                   |               |
| At 31 December 2021                            | 17,306                           | 3,432                          | 874                                       | 227                               | 21,839        |
| At 31 December 2020                            | 18,755                           | 4,591                          | 691                                       | 841                               | 24,878        |

In 2020, impairment losses arose as a result of planned office closures resulting from the COVID-19 pandemic and the consequent move to a new way of working, involving more home-working and use of office space in hubs mainly for meetings and collaboration purposes.

The impairment provision was calculated as the remaining rent and service charges expected to the end of the lease.

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**SOPRA STERIA LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**17. TANGIBLE FIXED ASSETS (CONTINUED)**

Information about right-of-use assets is summarised below:

|   | <b>2021</b>  | <b>2020</b>  |
|---|--------------|--------------|
|   | <b>£000</b>  | <b>£000</b>  |
| <b>Depreciation charge for the year ended</b> |              |              |
| Property (including impairment charges)       | <b>942</b>   | <b>5,267</b> |
| Motor vehicles                                | <b>628</b>   | <b>689</b>   |
| Equipment                                     | <b>666</b>   | <b>688</b>   |
|   | <b>2,236</b> | <b>6,644</b> |
|   |              |              |
|   | <b>2021</b>  | <b>2020</b>  |
|   | <b>£000</b>  | <b>£000</b>  |
| <b>Additions</b>                              |              |              |
| Additions to right-of-use assets              | <b>1,102</b> | <b>979</b>   |

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**SOPRA STERIA LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**18. INVESTMENTS**

|                       | Investments<br>in<br>subsidiary<br>companies<br>£000 | Investments<br>in related<br>companies<br>£000 | Total<br>£000 |
|-----------------------|--|--|---------------|
| <b>COST</b>           |  |  |               |
| At 1 January 2021     | 84,804   | -  | 84,804        |
| Additions             | 7,506  | 500  | 8,006         |
| At 31 December 2021   | <u>92,310</u>  | <u>500</u>                                     | <u>92,810</u> |
| <b>Impairment</b>     |  |  |               |
| At 1 January 2021     | 42,231   | -  | 42,231        |
| At 31 December 2021   | <u>42,231</u>  | <u>-</u>                                       | <u>42,231</u> |
| <b>Net book value</b> |  |  |               |
| At 31 December 2021   | <u>50,079</u>  | <u>500</u>                                     | <u>50,579</u> |
| At 31 December 2020   | <u>42,573</u>  | <u>-</u>                                       | <u>42,573</u> |

During the year, the Company invested in two newly-incorporated companies.

On 5 February 2021, 5,000 Ordinary shares were purchased in Sopra Steria Financial Services Limited for consideration of £5 thousand. A further 7,500,000 Ordinary shares were purchased on 22 December 2021 for consideration of £7,500 thousand.

On 29 June 2021, 51,000 Ordinary shares were purchased in CeleScan Limited for consideration of £500 thousand.

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**SOPRA STERIA LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**18. INVESTMENTS (CONTINUED)****SUBSIDIARY UNDERTAKINGS**

The following were subsidiary undertakings of the Company:

| <b>Name</b>  | <b>Principal activity</b>    | <b>Class of shares</b> | <b>Holding %</b> |
|--|------------------------------|------------------------|------------------|
| 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              |
| cxpartners Limited   | Consultancy                  | Ordinary               | 100              |
| Sopra Steria (Retirement Benefits Scheme) Trustees Limited | Corporate trustee            | Ordinary               | 100              |
| Sopra Steria Financial Services Limited                    | Debt management              | Ordinary               | 100              |

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

**RELATED COMPANIES**

The Company holds an investment in the following related company whose registered office is also Three Cherry Trees Lane, Hemel Hempstead, Hertfordshire, HP2 7AH:

| <b>Name</b>      | <b>Principal activity</b> | <b>Class of shares</b> | <b>Holding %</b> |
|------------------|---------------------------|------------------------|------------------|
| Celescan Limited | MRI scanning              | Ordinary               | 51               |

Sopra Steria Limited owns 51% of the ordinary shares in Celescan Limited, but is not deemed to control the entity.

**SOPRA STERIA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**19. DEBTORS**

|  | <b>2021</b>    | <b>2020</b>    |
|--|----------------|----------------|
|  | <b>£000</b>    | <b>£000</b>    |
| <b>DUE AFTER MORE THAN ONE YEAR</b>        |                |                |
| Amounts owed by group undertakings         | <b>199,573</b> | <b>185,653</b> |
| Deferred tax asset                         | <b>11,350</b>  | <b>25,390</b>  |
| Financial instruments                      | <b>133</b>     | <b>117</b>     |
|  | <b>211,056</b> | <b>211,160</b> |
|  | <b>2021</b>    | <b>2020</b>    |
|  | <b>£000</b>    | <b>£000</b>    |
| <b>DUE WITHIN ONE YEAR</b>                 |                |                |
| Trade debtors                              | <b>26,621</b>  | <b>32,696</b>  |
| Amounts owed by group undertakings         | <b>11,866</b>  | <b>8,093</b>   |
| Amounts owed by related parties            | <b>1,042</b>   | <b>-</b>       |
| Other debtors                              | <b>789</b>     | <b>1,756</b>   |
| Prepayments and accrued income             | <b>30,859</b>  | <b>21,845</b>  |
| Amounts recoverable on long-term contracts | <b>14,672</b>  | <b>12,836</b>  |
| Corporation tax recoverable                | <b>300</b>     | <b>-</b>       |
| Financial instruments                      | <b>867</b>     | <b>557</b>     |
| Contract assets                            | <b>74</b>      | <b>218</b>     |
|  | <b>87,090</b>  | <b>78,001</b>  |

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 charged to the Statement of Comprehensive Income in the year amounted to £2,687 thousand (2020: £2,163 thousand).

The Directors have not identified any significant impact of LIBOR reform on the Company's financial instruments and do not anticipate any material effect on the Company's financial position when LIBOR is replaced.

Amounts owed by group undertakings and related parties due with one year are unsecured and can be recalled on demand. No interest is received on these short-term balances. The amounts owed by group undertakings due after more than one year attract interest at 1.5% above the Bank of England base rate and are due in 2026.

No expected credit loss provision has been recorded against trade debtors or amounts owed by group or related undertakings (2020: £nil).

**SOPRA STERIA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**20. CREDITORS: Amounts falling due within one year**

|                                    | <b>2021</b>           | <b>2020</b>           |
|------------------------------------|-----------------------|-----------------------|
|                                    | <b>£000</b>           | <b>£000</b>           |
| Trade creditors                    | 2,105                 | 2,142                 |
| Amounts owed to group undertakings | 34,633                | 22,951                |
| Corporation tax                    | -                     | 185                   |
| Other taxation and social security | 8,980                 | 16,480                |
| Lease liabilities                  | 2,900                 | 3,855                 |
| Other creditors                    | 11,499                | 26,158                |
| Accruals                           | 42,203                | 33,085                |
| Financial instruments              | 906                   | 533                   |
| Deferred income                    | 35,501                | 32,524                |
|                                    | <u><b>138,727</b></u> | <u><b>137,913</b></u> |

The Amounts owed to Group undertakings are non- interest-bearing and repayable on demand.

As described in note 29, the Company provides payroll services to NHS Shared Business Services Limited and Shared Services Connected Ltd. Consequently, the payroll creditors (including income tax, national insurance and pensions) relating to these companies are included in the Company's creditor balances above.

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

|                       | <b>2021</b>          | <b>2020</b>          |
|-----------------------|----------------------|----------------------|
|                       | <b>£000</b>          | <b>£000</b>          |
| Lease liabilities     | 16,439               | 19,384               |
| Other creditors       | 337                  | 626                  |
| Financial instruments | 133                  | 118                  |
|                       | <u><b>16,909</b></u> | <u><b>20,128</b></u> |

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**SOPRA STERIA LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**22. 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:

|                                 | <b>2021</b>   | <b>2020</b>   |
|---------------------------------|---------------|---------------|
|                                 | <b>£000</b>   | <b>£000</b>   |
| Not later than one year         | <b>2,900</b>  | <b>3,855</b>  |
| Between one year and five years | <b>6,673</b>  | <b>8,120</b>  |
| Later than five years           | <b>9,766</b>  | <b>11,264</b> |
|                                 | <b>19,339</b> | <b>23,239</b> |

Contractual undiscounted cash flows are due as follows:

|                                 | <b>2021</b>   | <b>2020</b>   |
|---------------------------------|---------------|---------------|
|                                 | <b>£000</b>   | <b>£000</b>   |
| Not later than one year         | <b>3,548</b>  | <b>4,399</b>  |
| Between one year and five years | <b>10,150</b> | <b>9,729</b>  |
| Later than five years           | <b>20,562</b> | <b>22,524</b> |
|                                 | <b>34,260</b> | <b>36,652</b> |

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 the year:

|  | <b>2021</b>  | <b>2020</b>  |
|--|--------------|--------------|
|  | <b>£000</b>  | <b>£000</b>  |
| Interest on lease liabilities  | <b>585</b>   | <b>817</b>   |
| Expenses relating to short-term leases   | <b>1,825</b> | <b>545</b>   |
| Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets | <b>48</b>    | <b>50</b>    |
| Total cash outflow for leases  | <b>4,720</b> | <b>4,336</b> |

**SOPRA STERIA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**23. PROVISIONS**

|                                     | Dilapidation<br>provisions<br>£000 | Contract<br>provisions<br>£000 | Other<br>provisions<br>£000 | Total<br>£000 |
|-------------------------------------|------------------------------------|--------------------------------|-----------------------------|---------------|
| At 1 January 2021                   | 5,293                              | 4,190                          | 1,768                       | 11,251        |
| Additions                           | 294                                | 7,978                          | 1,112                       | 9,384         |
| Reversals                           | (76)                               | (1,222)                        | (29)                        | (1,327)       |
| Interest unwind on discounting      | 96                                 | -                              | 6                           | 102           |
| Utilised in year                    | (306)                              | (1,255)                        | -                           | (1,561)       |
| <b>At 31 December 2021</b>          | <b>5,301</b>                       | <b>9,691</b>                   | <b>2,857</b>                | <b>17,849</b> |
| <b>Analysed as (December 2021):</b> |                                    |                                |                             |               |
| Current                             | 1,459                              | 9,691                          | 2,560                       | 13,710        |
| Non-current                         | 3,842                              | -                              | 297                         | 4,139         |
|                                     | <b>5,301</b>                       | <b>9,691</b>                   | <b>2,857</b>                | <b>17,849</b> |
| <b>Analysed as (December 2020):</b> |                                    |                                |                             |               |
| Current                             | -                                  | 4,190                          | 1,450                       | 5,640         |
| Non-current                         | 5,293                              | -                              | 318                         | 5,611         |
|                                     | <b>5,293</b>                       | <b>4,190</b>                   | <b>1,768</b>                | <b>11,251</b> |

(a) Dilapidation provisions 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 that £1.5 million of this provision will be used in the coming year, with the remainder (£3.8 million) over the period until 2055.

(b) Contract provisions covers risks relating to clients and projects. There is uncertainty relating to the timing and amount of these outflows. The amount of the provisions represents the Directors' best estimate of the costs which will be incurred to settle the obligations. This is considered a key source of estimation uncertainty as well as being an area of critical accounting judgment. Refer to Note 2 for further information.

(c) Other provisions includes £0.1 million for property provisions (mostly to be used in the period 2023 to 2024), £0.3 million for Permanent Healthcare Insurance (PHI) for employees (mostly to be used in the period 2025 to 2031) and £2.4 million relating to other employee issues including reorganisation costs expected to be used within one year.

**SOPRA STERIA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**24. DEFERRED TAXATION**

|  | Accelerated<br>capital<br>allowances<br>£000 | Short-term<br>timing<br>differences<br>£000 | Imputed<br>interest<br>£000 | Pension<br>deficit<br>£000 | Cashflow<br>hedges<br>£000 | Total<br>£000 |
|--|--|---|-----------------------------|----------------------------|----------------------------|---------------|
| At 1 January 2020  | 1,082  | 1,168                                       | 1,098                       | 18,602                     | -                          | 21,950        |
| Charged to profit or loss                                | (129)  | (357)                                       | (306)                       | -                          | -                          | (792)         |
| Credited / (charged) to<br>other comprehensive<br>income | -  | -   | -                           | 1,989                      | (12)                       | 1,977         |
| Charged to reserves                                      | -  | -   | (326)                       | -                          | -                          | (326)         |
| Effect of change in tax<br>rate in:                      |  |   |                             |                            |                            |               |
| - profit or loss   | 127  | 137   | -                           | -                          | -                          | 264           |
| - other comprehensive<br>income                          | -  | -   | -                           | 2,189                      | -                          | 2,189         |
| - reserves   | -  | -   | 129                         | -                          | -                          | 129           |
| Other adjustments  | -  | -   | 1                           | -                          | (2)                        | (1)           |
| <b>At 1 January 2021</b>                                 | <b>1,080</b>                                 | <b>948</b>                                  | <b>596</b>                  | <b>22,780</b>              | <b>(14)</b>                | <b>25,390</b> |
| Charged to profit or loss                                | (100)  | (178)                                       | (388)                       | -                          | -                          | (666)         |
| Charged to other<br>comprehensive<br>income              | -  | -   | -                           | (21,014)                   | -                          | (21,014)      |
| Charged to reserves                                      | -  | -   | (397)                       | -                          | -                          | (397)         |
| Effect of change in tax<br>rate in:                      |  |   |                             |                            |                            |               |
| - profit or loss   | 341  | 299   | -                           | -                          | -                          | 640           |
| - other comprehensive<br>income                          | -  | -   | -                           | 7,193                      | -                          | 7,193         |
| - reserves   | -  | -   | 189                         | -                          | -                          | 189           |
| Other adjustments  | -  | -   | -                           | 1                          | 14                         | 15            |
| <b>At 31 December 2021</b>                               | <b>1,321</b>                                 | <b>1,069</b>                                | <b>-</b>                    | <b>8,960</b>               | <b>-</b>                   | <b>11,350</b> |

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 £496 thousand (2020: £377 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 (2020: £1,985 thousand). These losses have no expiry date.

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## SOPRA STERIA LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 25. SHARE CAPITAL

|  | 2021<br>£000   | 2020<br>£000   |
|--|----------------|----------------|
| <b>Authorised</b>  |                |                |
| 100,000,000 (2020: 100,000,000) Ordinary shares of £1 each | <u>100,000</u> | <u>100,000</u> |
| <b>Allotted, called up and fully paid</b>                  |                |                |
| 63,052,937 (2020: 63,052,937) Ordinary shares of £1 each   | <u>63,053</u>  | <u>63,053</u>  |

#### 26. CONTINGENT LIABILITIES

Letters of credit and performance bonds of £nil (2020: £67 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 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 £142 thousand for plant, machinery and equipment at the end of December 2021 (2020: £232 thousand).

Additionally, the Company has a commitment to subscribe for preference shares of Celescan Limited, at a subscription price of £1 per preference share up to a maximum aggregate subscription price of £2,600 thousand.

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## SOPRA STERIA LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 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 one of the defined benefit pension schemes.

As at 31 December 2021, the amount outstanding in respect of the Company's contribution to the defined contribution schemes was £134 thousand (2020: £1,967 thousand). Contributions made in respect of the year ended 31 December 2021 were £17,586 thousand (2020: £18,234 thousand).

##### Defined benefit plan

The Company operates a number of Defined Benefit Pension Schemes which are all 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.

A number of the defined benefit schemes have recently gone through a merger process. Under a merger deed dated 31 January 2020, three segregated sections were created in the Sopra Steria Retirement Benefits Scheme into which substantially all of the assets and liabilities have been transferred in respect of three related Schemes: The Steria Retirement Plan, The Steria Pension Plan and The Steria Management Plan. On 16 March 2021, formal wind-up was triggered via written resolution on the three legacy arrangements.

A further defined benefit scheme – The Steria Electricity Supply Pension Scheme – remains in existence and is not subject to the above merger.

The pension costs of the plans are charged to the Statement of Comprehensive Income as described in note 1.18. 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 out-perform 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, have been reducing the level of investment risk by investing more in assets that better match the liabilities. Within the matching portfolio, the LDI funds are designed to reduce liability risk (such as exposure to changes in interest rates and inflation).

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

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

**SOPRA STERIA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**28. PENSION COMMITMENTS (CONTINUED)**

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.

Reconciliation of present value of plan liabilities:

|                               | 2021<br>£000     | 2020<br>£000     |
|-------------------------------|------------------|------------------|
| At the beginning of the year  | 1,600,847        | 1,461,832        |
| Current service cost          | 1,708            | 1,763            |
| Interest cost                 | 22,171           | 29,646           |
| Actuarial losses              | 18,670           | 171,422          |
| Benefits paid                 | (54,081)         | (63,816)         |
| <b>AT THE END OF THE YEAR</b> | <b>1,589,315</b> | <b>1,600,847</b> |

Reconciliation of fair value of plan assets:

|   | 2021<br>£000     | 2020<br>£000     |
|---|------------------|------------------|
| At the beginning of the year                  | 1,480,953        | 1,352,404        |
| Interest income                               | 20,619           | 27,667           |
| Actuarial gains                               | 85,463           | 146,972          |
| Administrative expenses paid from plan assets | (6,342)          | (6,328)          |
| Contributions                                 | 26,863           | 24,054           |
| Benefits paid                                 | (54,081)         | (63,816)         |
| <b>AT THE END OF THE YEAR</b>                 | <b>1,553,475</b> | <b>1,480,953</b> |

Composition of plan assets:

|                          | 2021<br>£000     | 2020<br>£000     |
|--------------------------|------------------|------------------|
| Bonds                    | 727,138          | 721,605          |
| Liquidity fund           | 208,119          | 51,297           |
| Equities                 | 201,098          | 253,771          |
| Property                 | 155,644          | 148,445          |
| Private credit           | 152,450          | 199,882          |
| Infrastructure           | 79,348           | 68,571           |
| Other                    | 29,678           | 37,382           |
| <b>TOTAL PLAN ASSETS</b> | <b>1,553,475</b> | <b>1,480,953</b> |

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**SOPRA STERIA LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**28. PENSION COMMITMENTS (CONTINUED)**

|                                     | <b>2021<br/>£000</b> | <b>2020<br/>£000</b> |
|-------------------------------------|----------------------|----------------------|
| Fair value of plan assets           | 1,553,475            | 1,480,953            |
| Present value of plan liabilities   | (1,589,315)          | (1,600,847)          |
| <b>NET PENSION SCHEME LIABILITY</b> | <b>(35,840)</b>      | <b>(119,894)</b>     |

**As shown in Statement of Financial Position**

|  |                 |                  |
|--|-----------------|------------------|
| Pension assets (Steria Electricity Supply Pension Scheme and Steria Management Plan) | 18,394          | 2,762            |
| Pension liabilities (Steria Retirement Plan and Steria Pension Plan)                 | (54,234)        | (122,656)        |
|  | <b>(35,840)</b> | <b>(119,894)</b> |

The amounts recognised in profit or loss are as follows:

|                                | <b>2021<br/>£000</b> | <b>2020<br/>£000</b> |
|--------------------------------|----------------------|----------------------|
| Current service cost           | (1,708)              | (1,763)              |
| Interest expense on obligation | (22,171)             | (29,646)             |
| Interest income on plan assets | 20,619               | 27,667               |
| <b>TOTAL</b>                   | <b>(3,260)</b>       | <b>(3,742)</b>       |
| Actual return on scheme assets | 106,081              | 174,639              |

The cumulative amount of actuarial gains and losses recognised in the Statement of Comprehensive Income was £178,982 thousand (2020: £239,433 thousand). This represents the overall total effect that actuarial gains and losses have had on the Company's Statement of Financial Position over the course of many years.

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**SOPRA STERIA LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**28. PENSION COMMITMENTS (CONTINUED)**

The Company expects to contribute £23.9 million to its Defined Benefit Pension Schemes in 2022.

|  | 2021<br>£000  | 2020<br>£000    |
|--|---------------|-----------------|
| <b>ANALYSIS OF ACTUARIAL LOSS RECOGNISED IN OTHER<br/>COMPREHENSIVE INCOME</b> |               |                 |
| Actual return less interest income included in net interest income             | 85,463        | 146,972         |
| Administrative expenses paid from plan assets                                  | (6,342)       | (6,328)         |
| Experience gains and losses arising on the scheme liabilities                  | (25,264)      | 1,423           |
| Actuarial gains and losses arising from changes in financial assumptions       | 15,843        | (175,518)       |
| Actuarial gains and losses arising from changes in demographic assumptions     | (9,249)       | 2,673           |
|  | <u>60,451</u> | <u>(30,778)</u> |

The principal assumptions used by the actuary were:

|  | 2021<br>%            | 2020<br>%            |
|--|----------------------|----------------------|
| Discount rate  | 1.81                 | 1.41                 |
| CPI inflation assumption   | 2.52                 | 2.09                 |
| RPI inflation assumption   | 3.32                 | 2.89                 |
| Other assumptions  |                      |                      |
| Future salary increases  | 3.32                 | 2.89                 |
| Member life expectancy at age 65 (male retiring today)                 | 22.2 - 23.4<br>years | 22.3 - 23.4<br>years |
| Member life expectancy at age 65 (female retiring today)               | 23.9 - 25<br>years   | 24 - 25.3<br>years   |
| Member life expectancy at age 65 (male aged 45 retiring in 20 years)   | 23.6 - 24.7<br>years | 23.6 - 24.6<br>years |
| Member life expectancy at age 65 (female aged 45 retiring in 20 years) | 25.4 - 26.4<br>years | 25.5 - 26.7<br>years |

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**SOPRA STERIA LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**28. PENSION COMMITMENTS (CONTINUED)**

The mortality assumption is based on the S3P generational base tables (2020: S3P tables) with scaling of 94 - 99% for males (2020: 94 - 100%) and 98 - 100% for females (2020: 90 - 98%). Future improvements to life expectancy are based on the CMI 2020 projection model (2020: CMI 2019 model) with a 1.25% long-term improvement rate (2020: 1.25%).

The estimated weighted average duration of the defined benefit obligation is 17.3 years (2020: 19.1 years).

The expected total benefit payments for 2022 is £45 million and in total for the next 5 years £246 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%<br>increase<br>£000 | 0.25%<br>decrease<br>£000 |
|--|---------------------------|---------------------------|
| <b>Discount rate</b>   |                           |                           |
| Effect on defined benefit obligation: (Reduction) / increase | (66,470)                  | 70,465                    |
| <b>Inflation rate</b>  |                           |                           |
| Effect on defined benefit obligation: Increase / (reduction) | <u>59,157</u>             | <u>(60,639)</u>           |

**Post-retirement mortality**

A one-year age rating reduction would increase the defined benefit obligation by £62,744 thousand.

## SOPRA STERIA LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

##### 2021

|                                      | Revenue<br>from<br>services<br>rendered to<br>Related<br>Party<br>£000 | Purchases<br>from<br>Related<br>Party<br>£000 | Amount<br>owing by<br>Related<br>Party<br>£000 | Amount<br>owing to<br>Related<br>Party<br>£000 |
|--------------------------------------|--|---|--|--|
| Shared Services Connected Ltd        | 49,058   | 192   | 5,320  | 100  |
| NHS Shared Business Services Limited | 19,641   | 414   | 2,068  | 46   |
| Axway UK Limited                     | -  | 215   | -  | -  |
| Celescan Limited                     | 1,302  | -   | 1,476  | -  |
|                                      | <u>70,001</u>  | <u>821</u>                                    | <u>8,864</u>                                   | <u>146</u>                                     |

##### 2020

|                                      | Revenue<br>from<br>services<br>rendered to<br>Related<br>Party<br>£000 | Purchases<br>from<br>Related<br>Party<br>£000 | Amount<br>owing by<br>Related<br>Party<br>£000 | Amount<br>owing to<br>Related<br>Party<br>£000 | Interest<br>income<br>£000 |
|--------------------------------------|--|---|--|--|----------------------------|
| Shared Services Connected Ltd        | 53,914   | 114   | 5,544  | -  | 664                        |
| NHS Shared Business Services Limited | 17,063   | 398   | 2,061  | 63   | -                          |
| Axway UK Limited                     | -  | 653   | -  | 120  | -                          |
|                                      | <u>70,977</u>  | <u>1,165</u>                                  | <u>7,605</u>                                   | <u>183</u>                                     | <u>664</u>                 |

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 owns 51% of the ordinary shares in Celescan Limited, but is not deemed to control the entity.

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

All purchase and revenue transactions relate to information technology services.

All outstanding balances are expected to be settled by cash payments.

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## SOPRA STERIA LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 30. 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](http://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.