Registration number: 10286811

Sabadell Information Systems Limited

Report and Financial Statements

31 December 2020

Contents

Directors	Neil Henry Charles Farren
	Francesc Huguet Ballester
	Enrique Solbes Gallego
Company secretary	Josep Oriol De Nadal Alier
Registered number	10286811
Registered office	The Leadenhall Building 38th Floor 122 Leadenhall Street London England EC3V 4AB
Auditors	KPMG LLP 15 Canada Square London E14 5GL United Kingdom

Strategic Report
for the Year Ended 31 December 2020

The directors present their strategic report of Sabadell Information Systems Limited (the "Company" or SABIS UK) for the year ended 31 December 2020.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

The company is limited by 10,600,000 ordinary shares of £1 each, of which 300,000 ordinary shares were issued on incorporation.

Principal activities and business review
The Company is a wholly owned subsidiary of Sabadell Information Systems, S.A.U (SABIS SP), a company registered in Spain ("the parent company"). The principal activity is to maintain the IT platform "Proteo4UK", and run the activity on it for TSB Bank plc ("TSB").

2020 has been a year in which SABIS UK has reduced its scope being a company used as a pass-through entity for some third parties that operate in the UK but managed by the SABIS SP team in Spain. From February 2020 onwards all employees have been transferred either to TSB or SABIS SP, including their functions and responsibilities.

Despite this significant change, the company maintains its commitment under the OSA contract, in close collaboration with SABIS SP, to offer TSB an updated technology platform that meets its needs.

Developments delivered by the Company, which are purchased from third party providers, are recognised as intangible assets. These services, likewise the base license of the platform, are intended to be reimbursed by TSB through an annual license fee during the following 15 years.

The Company intends to retain the IT Asset in order to continue providing services to TSB during the contract period.

The Company made a loss of £451,000 (2019: profit of £514,000) during the financial period. Dividends of £nil (2019: £nil) were paid in the period. The Directors do not recommend the payment of a dividend and propose that the loss for the year ended 31 December 2020 be transferred to reserves.

Principal risks and uncertainties
The main purpose of the Company is to run and maintain the IT platform for TSB. Performance of the service and cost control are the main risks for the company. These risks are managed by sharing with TSB, on a monthly basis, information regarding the costs status and the platform service levels.

Financial key performance indicators
The directors maintain close control of the business using the operating margin as the key financial indicator.

Strategic Report
for the Year Ended 31 December 2020

Statement by the Directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

In overseeing, SABIS UK's Board are mindful of their duties under the Companies Act 2006, including as set out in section 172. The Board recognises that SABIS UK's long-term success is only possible through engagement with, and having regard to, the interests of key stakeholders, which for the Company includes our shareholder, parent company of the Group, our customer, and regulators.

Several members of the Board are also members of the management of the parent company, SABIS SP, and are part of the management and monitoring committees of the service activity provided to TSB in accordance with the provisions of the OSA contract.

Approved by the Board on 06/07/21 and signed on its behalf by:

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Francesc Huguet Ballester
Director

FRANCESC HUGUET BALLESTER - NIF 34759157Q

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Directors' Report
for the Year Ended 31 December 2020

The directors present their Annual Report on the affairs of the Company and the financial statements for the year ended 31 December 2020.

Directors of the company
The directors, who held office during the year and up to the date of approval of the financial statements, were as follows:

Neil Henry Charles Farren

Rosa Figaro Volta (resigned 4 February 2021)

Adria Galian Valldeneu (resigned 4 February 2021)

Francesc Huguet Ballester

David Insalaco Ayuso (resigned 4 February 2021)

Rudiger Schmidt (resigned 4 February 2021)

The following director was appointed after the year end:

Enrique Solbes Gallego (appointed 5 February 2021)

Policy on payment to creditors
The Company's policy is to agree terms of payment with suppliers and these normally provide for payment within 30 days after the invoice date, except where other arrangements have been negotiated. It is the policy of the Company to abide by the agreed terms of the payment, provided the supplier performs according to the terms of the contract.

Financial risk management
The Company's directors are required to follow the requirements of the Banco Sabadell S.A. Group risk management policies, which include specific guidelines on the management of liquidity risk, credit risk and interest rate risks and advises on the use of non-complex financial instruments to manage them. Banco Sabadell S.A. Group risk management policies can be found in the financial statements of Banco Sabadell S.A. (note 2).

There is no third party indemnity provision, for the benefit of any director during the year.

Future developments
The development of the Company is framed in the context of the IT strategy of our client TSB, aligned with the corporate IT strategy of the Banco Sabadell Group.

Directors' Report
for the Year Ended 31 December 2020

Going concern
The company's business activities, together with the factors likely to affect its future development and position, are set out in the strategic report.

The financial statements have been prepared on a going concern basis. During the period, in addition to its operating activities, the company was funded through its capital and loan facility obtained from a group undertaking entity.

There are members of the Board who are also members of the Management of the parent company SABIS SP and are part of the management and monitoring committees of the service activity provided to TSB in accordance with the provisions of the OSA contract which applies to both SABIS SP and SABIS UK.

The Directors have considered that Banco de Sabadell, S.A.. (the Group parent entity) has issued a letter of support stating that the parent intends, and has the ability, to take actions necessary to continue to provide support to the Company in ensuring that it meets all of its financial obligations as they fall due so that it continues to run as a going concern for a period of 12 months from the date these financial statements are authorised for issue and beyond.

On 27 June 2018 the parent company increased its interest in the company by £36,050,000 through the insurance of 10,300,000 shares increasing the shares in issue to 10,600,000 shares.

Disclosure of information to the auditor
The directors who held office at the date of approval of this director's report confirm that:
• so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and
• each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Re-appointment of auditors
Pursuant to Section 485 of the Companies Act 2006, KPMG LLP will be deemed to be reappointed and will continue in office.

Approved by the Board on 06/07/21 and signed on its behalf by:

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Francesc Huguet Ballester
Director

The Leadenhall Building 38th Floor
122 Leadenhall Street
London
England
EC3V 4AB

Statement of 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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 judgements and 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of Sabadell Information Systems Limited

Opinion

We have audited the financial statements of Sabadell Information Systems Limited (the 'Company') for the year ended 31 December 2020, which comprise the Statement of Profit and Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, and Notes to the Financial Statements, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Independent Auditor's Report to the Members of Sabadell Information Systems Limited

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and management and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because of the limited incentive, pressure or opportunity to manipulate revenue. This is due to the arrangements in place on the revenue earned by the entity, which represents pass through costs plus a set mark up.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying entries and other adjustments to test based on risk assessment criteria and comparing the identified entries to supporting documentation. These included entries to all significant audit areas.
- Evaluating the business purpose of significant unusual transactions.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

Independent Auditor's Report to the Members of Sabadell Information Systems Limited

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent Auditor's Report to the Members of Sabadell Information Systems Limited

The purpose of our audit work and to whom we owe our responsibilities

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.

Matthew Rowell (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

Date: 06/07/2021

Statement of Profit and Loss and Other Comprehensive Income

for the Year Ended 31 December 2020

	Note	2020 £ 000	2019 £ 000
Turnover	4	44,521	46,916
Cost of sales	5	(43,205)	(44,535)
Gross profit		1,316	2,381
Administrative expenses	6	(1,393)	(1,447)
Operating (loss)/profit		(77)	934
Interest receivable and similar income	9	543	543
Interest payable and similar expenses	10	(1,023)	(871)
(Loss)/profit before tax		(557)	606
Tax credit/(charge)	11	106	(92)
(Loss)/profit for the year		(451)	514
Other comprehensive income			
Fair value gain on financial assets		123	16
Total comprehensive (expense)/income for the period		(328)	530

The above results were derived from continuing operations.

The notes on pages 14 to 28 form an integral part of these financial statements.

Statement of Financial Position

as at 31 December 2020

	Note	2020 £ 000	2019 £ 000
Fixed assets			
Intangible assets	12	28,132	28,529
Non-current financial assets	13	21,677	21,969
		49,809	50,498
Current assets			
Debtors	14	10,936	14,148
Cash and cash equivalents		2,642	2,104
		13,578	16,252
Creditors: Amounts falling due within one year	15	(34,198)	(37,231)
Net current liabilities		(20,620)	(20,979)
Total assets less current liabilities		29,189	29,519
Provisions for liabilities			
Deferred tax liabilities	16	-	(2)
Net assets		29,189	29,517
Capital and reserves			
Called up share capital	17	10,600	10,600
Share premium account	18	25,750	25,750
Profit and loss account	18	(7,290)	(6,839)
Fair value reserve	18	129	6
Shareholders' funds		29,189	29,517

The financial statements on pages 11 - 28 were approved by the Board on 06/07/21 and signed on its behalf by:

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Francesc Huguet Ballester
Director

Registration number: 10286811

The notes on pages 14 to 28 form an integral part of these financial statements.

Statement of Changes in Equity
for the Year Ended 31 December 2020

	Share capital £ 000	*Share premium £ 000*	*Retained earnings £ 000*	*Fair value reserve of financial assets at FVOCI £ 000*	*Total £ 000*
At 1 January 2019	10,600	25,750	(7,353)	(10)	28,987
Profit for the year	-	-	514	-	514
Fair value movement on financial assets	-	-	-	16	16
Total comprehensive income	-	-	514	16	530
At 31 December 2019	10,600	25,750	(6,839)	6	29,517
At 1 January 2020	10,600	25,750	(6,839)	6	29,517
Loss for the year	-	-	(451)	-	(451)
Fair value movement on financial assets	-	-	-	123	123
Total comprehensive expense	-	-	(451)	123	(328)
At 31 December 2020	10,600	25,750	(7,290)	129	29,189

The notes on pages 14 to 28 form an integral part of these financial statements.

Notes to the Financial Statements
for the Year Ended 31 December 2020

1 General information

The Company (registered number 10286811) is a private company limited by shares, incorporated and domiciled in England and Wales.

The address of its registered office is:
The Leadenhall Building 38th Floor
122 Leadenhall Street
London
England
EC3V 4AB
United Kingdom

2 Accounting policies

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

Basis of preparation
These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS101").

In preparing these financial statements, the Company applies the recognition, measurements and disclosure requirements of international accounting standards in conformity with requirements of the Companies Act 2006 ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

These financial statements are presented in Pounds Sterling (£), as that is the currency in which the majority of the Company's transactions are denominated, and rounded to the nearest '000.

Summary of disclosure exemptions
The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IAS 1 Presentation of financial statements Paragraph 10(d) A statement of the cash flows for the period, IAS 7 Statement of cash flows in respect to Cash Flow Statement and related notes;
- IAS 1 Presentation of financial statements Paragraph 134-136 disclosures in respect of capital management;
- IAS 8 Accounting policies, changes in accounting estimates and errors Paragraph 30-31 in respect of the effects of new but not yet effective IFRSs;
- IAS 24 Related party disclosures in respect of transitions with wholly owned subsidiaries and the compensation of Key Management Personnel.

Notes to the Financial Statements

for the Year Ended 31 December 2020

2 Accounting policies (continued)

As the consolidated financial statements of Banco de Sabadell, S.A. include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable UK accounting standards.

Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the strategic report.

The financial statements have been prepared on a going concern basis. During the period, in addition to its operating activities, the company was funded through its capital and loan facility obtained from a group undertaking entity.

There are members of the Board who are also members of the Management of the parent company SABIS SP and are part of the management and monitoring committees of the service activity provided to TSB in accordance with the provisions of the OSA contract which applies to both SABIS SP and SABIS UK.

The Directors have considered that Banco de Sabadell, S.A.. (the Group parent entity) has issued a letter of support stating that the parent intends, and has the ability, to take actions necessary to continue to provide support to the Company in ensuring that it meets all of its financial obligations as they fall due so that it continues to run as a going concern for a period of 12 months from the date these financial statements are authorised for issue and beyond.

Transactions and balances

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

Foreign exchange differences arising on translation are recognised in the statement of profit and loss and other comprehensive income.

Notes to the Financial Statements
for the Year Ended 31 December 2020

2 Accounting policies (continued)

Contract assets
Contract assets represent the gross unbilled amount for work performed to date. They are measured at cost (see the turnover accounting policy) less a provision for foreseeable losses and less progress billings. Variations are included in contract revenue when they are reliably measured and it is probable that the customer will approve the variation itself and the revenue arising from the variation. Claims are included in contract revenue only when they are reliably measurable and negotiations have reached an advanced stage such that it is probable that the customer will accept the claim. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Company's contract activities based on normal operating capacity.

Contract assets are presented as part of debtors and other assets in the statement of financial position. If payments received from customers exceed the income recognised, then the difference is presented as accruals and deferred income in the statement of financial position.

Finance income and costs policy
Interest payable and similar expenses include interest payable, recognised in the profit and loss using the effective interest method. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

Interest receivable and similar income is recognised in the profit and loss as it accrues, using the effective interest method.

Tax
Corporation tax which is payable or receivable in respect of taxable profits or losses is recognised as a current tax expense or credit in the period in which the profits or losses arise.

Deferred tax is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised where it is probable that the future taxable profit will be available against which the temporary differences can be utilised.

Current and deferred tax assets and liabilities are offset where there is both a legal right of offset and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Notes to the Financial Statements

for the Year Ended 31 December 2020

2 Accounting policies (continued)

Intangible assets

Intangible assets that are constructed or purchased from third parties by the Company, such as IT platforms, are initially recognised at cost and subsequently stated at cost less accumulated amortisation and less accumulated impairment losses.

IT platforms are amortised from the date they are available for use over a 15 year period. Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets.

Impairment

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The Company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e., the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Loss allowances for trade debtors and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial assets.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

Impairment of non-financial assets and deferred tax assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

Notes to the Financial Statements
for the Year Ended 31 December 2020

2 Accounting policies (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash flows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of that combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit and loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Turnover
Turnover represents the total amount of consideration due in ordinary course of business for the rights derived from the MSA contract (IT Migration Service Agreement, based on the Proteo4UK IT Platform) and the OSA contract (IT Outsourcing Service Agreement), and includes VAT and trade discounts. The total turnover of the Company for the year has been derived from its principal activity undertaken in the United Kingdom.

Turnover comprises of goods and services provided, which are recognised in turnover when the risk and rewards have been transferred over to the customer.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Share capital
Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Notes to the Financial Statements

for the Year Ended 31 December 2020

2 Accounting policies (continued)

Financial instruments

i. Recognition and initial measurement

Trade debtors and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade debtor without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade debtor without a significant financing component is initially measured at the transaction price.

ii. Classification and subsequent measurement

Financial assets

a) Classification

On initial recognition, a financial asset is classified as measured at:
• amortised cost;
• FVOCI - debt investment;
• FVOCI - equity investment; or
• FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrecoverably elect to present subsequent changes in the investments' fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

Notes to the Financial Statements

for the Year Ended 31 December 2020

2 Accounting policies (continued)

b) Subsequent measurement and gains and losses

Financial assets at FVTPL - these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. This amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit and loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI - These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit and loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI - These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities and equity

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as financial liabilities. Where the instrument so classified takes legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit and loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Notes to the Financial Statements

for the Year Ended 31 December 2020

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimate and associated assumptions are based on historical experience and other factors that are 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 main estimates made refer to:
- Useful lives of depreciable assets (note 2 - Intangible Assets)
- Recoverability of intangible assets (note 2 - Write-offs)
- Losses due to impairment of certain financial assets (note 2 - Impairment of non-financial assets and deferred tax assets)
- Fair value of certain financial assets (note 2 - Financial Instruments)

4 Turnover

The analysis of the Company's turnover for the year from continuing operations is as follows:

	2020 *£ 000*	*2019* *£ 000*
Rendering of IT services	44,521	46,916

All turnover is generated in the United Kingdom and relates to services provided.

5 Cost of sales

	2020 *£ 000*	*2019* *£ 000*
Third party invoices	40,680	42,895
Amortisation of IT platform	2,525	1,640
	43,205	44,535

Notes to the Financial Statements
for the Year Ended 31 December 2020

6 Administrative expenses

The average number of persons employed by the Company (including directors) during the year, analysed by category was as follows:

	2020 No.	2019 No.
Management	3	2
Operational staff	8	17
	11	19

The aggregate payroll costs (including directors' remuneration) were as follows:

	2020 £ 000	2019 £ 000
Wages and salaries	77	866
Social security costs	20	73
Pension costs, defined contribution scheme	8	66
Other employee expense	(5)	(98)
	100	907

Other administrative expenses are:

	2020 £ 000	2019 £ 000
Rent	-	93
Audit fee	58	54
Loss on disposal of intangible assets	-	383
Other	1,209	10
	1,267	540
Total administrative cost (including staff cost)	1,393	1,447

Notes to the Financial Statements

for the Year Ended 31 December 2020

7 Auditor's remuneration

	2020 £ 000	2019 £ 000
Fees for the audit of the Company	58	54

Amounts due to the auditor for non-audit related services are £Nil (2019: £Nil).
All amounts disclosed above are stated exclusive of VAT.

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2020 £ 000	2019 £ 000
Aggregate emoluments	-	99

The highest paid director received £Nil (2019: £99,000) in respect of qualifying services.

9 Interest receivable and similar income

	2020 £ 000	2019 £ 000
Interest income on bank deposits	4	4
Interest income on financial assets	539	539
	543	543

10 Interest payable and similar expenses

	2020 £ 000	2019 £ 000
Interest on amounts owed to group undertakings	576	578
Interest on obligations and bonds	447	293
	1,023	871

The interest on obligations and bonds represents the amortisation of the acquired government gilts disclosed in Note 13.

Notes to the Financial Statements
for the Year Ended 31 December 2020

11 Income tax

Tax charged/(credited) in the statement of profit and loss and other comprehensive income

	2020 £ 000	2019 £ 000
Current taxation		
UK corporation tax	-	111
UK corporation tax adjustment to prior periods	-	(21)
	-	90
Deferred taxation		
Arising from origination of temporary differences	(106)	4
Adjustments in respect of prior periods	-	(2)
Total deferred taxation	(106)	2
Total tax charge/(credit)	(106)	92

The tax on loss for the year is the same as the standard rate of corporation tax in the UK (2019 - lower than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £ 000	2019 £ 000
(Loss)/profit before tax	(557)	606
Tax on profit at standard UK tax rate of 19% (2019: 19%)	(106)	115
Adjustments in respect of prior years	-	(23)
Total tax (credit)/charge	(106)	92

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were not substantively enacted at the balance sheet date and hence have not been reflected in the measurement of deferred tax asset at the period end. If the deferred tax asset at the period end was remeasured at 25% this would result in a deferred tax credit of £23,000.

Notes to the Financial Statements
for the Year Ended 31 December 2020

12 Intangible assets

	Work in progress £ 000	*IT platform £ 000*	*Total £ 000*
Cost			
At 1 January 2020	7,790	23,465	31,255
Additions	2,693	3	2,696
Disposals	(158)	(410)	(568)
Transfers	(8,091)	8,091	-
At 31 December 2020	2,234	31,149	33,383
Accumulated amortisation			
At 1 January 2020	-	2,726	2,726
Amortisation charge	-	2,540	2,540
Amortisation eliminated on disposals	-	(15)	(15)
At 31 December 2020	-	5,251	5,251
Carrying amount			
At 31 December 2020	2,234	25,898	28,132
At 31 December 2019	7,790	20,739	28,529

Notes to the Financial Statements
for the Year Ended 31 December 2020

13 Financial assets at fair value through other comprehensive income

	Government gilts *£ 000*
Cost	
At 1 January 2020	22,256
At 31 December 2020	22,256
Revaluation	
At 1 January 2020	(287)
Revaluation adjustment recognised in fair value reserve	155
Financial expenses by application of the effective interest rate	(447)
At 31 December 2020	(579)
Carrying amount	
At 31 December 2020	21,677

SABIS UK invested in HQLA Assets in the form of UK Government Gilt Edged Securities to comply with the Prudential Regulatory Authority's requirement for SABIS UK as an inter group IT Service Provider to ringfence the equivalent of 6 months fixed operating cost relating to the services delivered under the confines of the Outsourced Service Agreement signed 19th April 2017 and to monitor it on an ongoing basis.

14 Debtors

Debtors: Amounts falling due within one year

	2020 *£ 000*	*2019* *£ 000*
Trade debtors	1,833	1,724
Amounts owed by group undertakings relating to services provided	7,224	7,542
Prepayments	9	3,062
Interest receivable	191	213
Current tax asset	1,607	1,607
	10,864	14,148

Notes to the Financial Statements
for the Year Ended 31 December 2020

14 Debtors (continued)

Debtors: Amounts falling due after one year

	Note	2020 £ 000	2019 £ 000
Deferred tax asset	16	72	-
Total debtors		10,936	14,148

15 Creditors: Amounts falling due within one year

	2020 £ 000	2019 £ 000
Amounts owed to group undertakings	33,294	33,210
Trade creditors	341	2,606
Social security and other taxes	563	1,266
Other creditors	-	98
Accrued expenses and deferred income	-	51
	34,198	37,231

16 Deferred tax

	Deferred tax asset (liability) £ 000
At 1 January 2020	(2)
Adjustment in respect of prior years	(1)
Deferred tax credit through profit and loss	106
Deferred tax charge through other comprehensive income	(31)
At 31 December 2020	72

The provision for deferred taxation is made up as follows:

	2020 £ 000	2019 £ 000
Short term timing difference	72	(2)

Notes to the Financial Statements

for the Year Ended 31 December 2020

17 Share capital

Allotted, called up and fully paid shares

		2020		2019
	No. 000	*£ 000*	*No. 000*	*£ 000*
Ordinary shares of £1 each	10,600	10,600	10,600	10,600

Rights, preferences and restrictions

Each share has full rights in the Company with respect to voting, dividends and distributions.

18 Reserves

During 2018, 10,300,000 ordinary shares were issued and fully paid resulting in share premium of £25,750,000.

The profit and loss account represents cumulative profits and losses net of dividends and other adjustments.

The fair value reserve includes the cumulative net change in fair value of debt securities measured at FVOCI.

19 Parent and ultimate parent undertaking

The immediate parent and controlling party of the Company is Sabadell Information Systems S.A.U. which is incorporated in Spain.

The ultimate parent undertaking and also the parent undertaking of the largest and smallest group to consolidate the financial statements of the Company is Banco de Sabadell S.A., a company registered in Spain with limited liability. Copies of the group financial statements can be obtained from Pl. Sant Roc, 20, 08201, Sabadell, Spain. Details of the parent undertaking are set out on its website, www.grupbancsabadell.com.

20 Subsequent events

There have been no material events after the balance sheet date up to the date of signing these financial statements which would require disclosure or adjustment to the Company's financial statements for the year ended 31 December 2020.