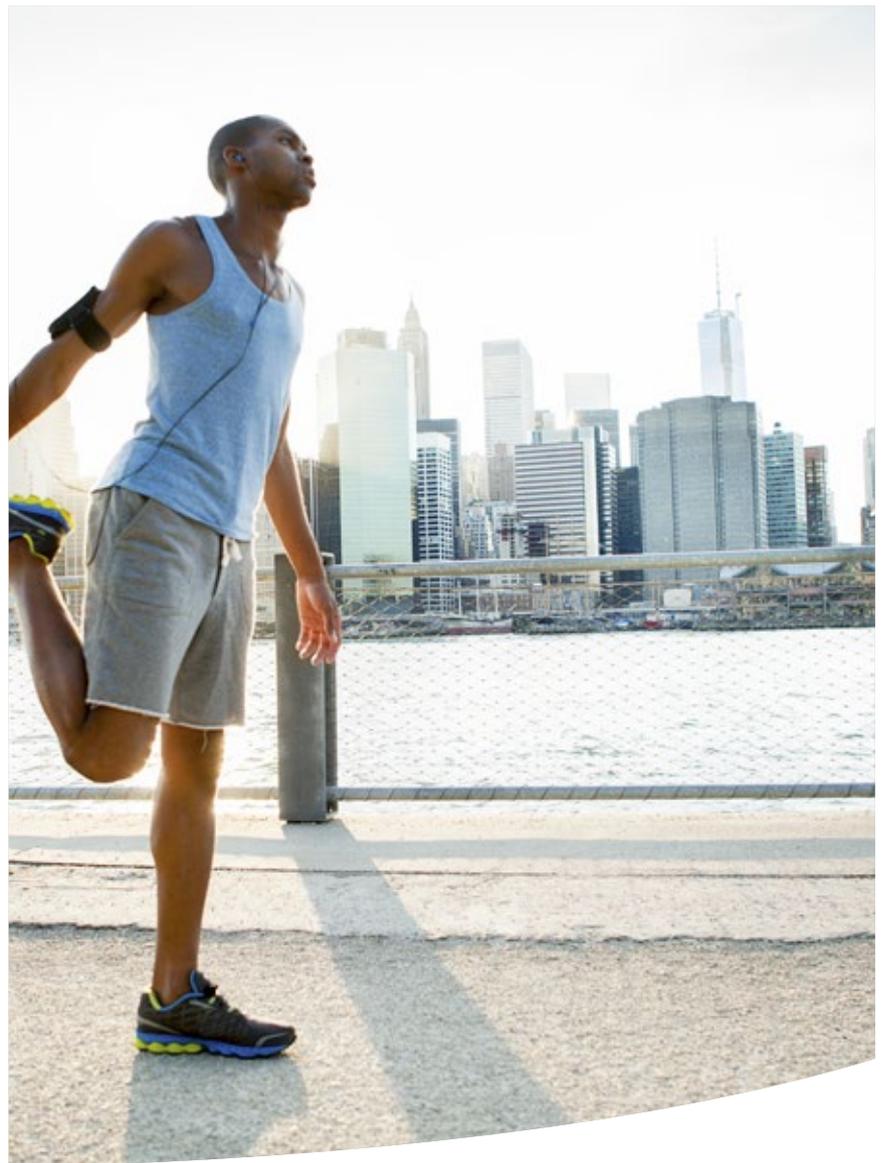


**SERVICE
OVERVIEW**

Are you Fit for Funding

Helping companies be better prepared to borrow from banks.



Contents

What makes a company more attractive to a bank?	3
1. Accurate, reliable, prompt monthly accounts	4
2. Predictable cashflow	5
3. Increasing profitability	6
4. Good corporate governance	7
5. New Prompt Payments Regulations compliance	8
The Fit for Funding Health-Check	10
Our pedigree	11

What makes a company more attractive to a bank?

The following factors can affect a bank's lending decisions:

- Accurate, reliable, prompt monthly accounts and management information for controlling and driving the business
- Predictable cashflow
- Increasing profitability
- Good corporate governance
- New Prompt Payment regulations compliance

Sopra Steria provides a Fit for Funding Health Check to improve the potential for a favourable lending decision. This includes:

- A FREE initial meeting
- A half day workshop with our experienced consultants covering your high level roadmap to improve your fitness for funding, for an introductory offer of £1500+VAT
- An in-depth Fit for Funding Health Check providing a more detailed review, at a pre-agreed fixed price following the half day workshop.

Where bank lending teams identify that a client has poorly run financial operations (identified through issues such as high ledger debt and poor expense/cashflow management), it can make a bank cautious about funding.

Businesses without the in-house technical expertise to implement the required changes, might want to consider using external help to improve their processes and/or outsource key financial processes to a specialist 3rd party such as Sopra Steria. This would allow them to implement change faster and more cost effectively.

Businesses need to demonstrate good financial practice, the integration of robust systems in key financial processes and strong budgeting, planning and financial forecasting.



1. Accurate, reliable, prompt monthly accounts...

...and management information helps to control and drive the business:

Efficient production of accurate monthly accounts has little to do with debits and credits. Instead it is reliant on efficient subsidiary transaction processing systems and good Purchase to Pay (P2P) systems ensuring all liabilities can be accounted for at a period end.

Sopra Steria can provide advice and practical hands-on assistance to:

- Improve the speed of closing underlying transaction systems at a period end
- Ensure the underlying information can be relied upon
- Improve the quality and automation of the period close
- Ensure the management information is sufficient to drive the business
- Ensure internal and external stakeholders are actively engaged.

Sopra Steria is an expert in Finance & Accounting outsourcing and practical consulting. Our affordable Fit for Funding Health Check is designed to help businesses like yours be better positioned to approach a bank for funding with accurate, reliable, prompt monthly accounts.



2. Predictable cashflow

Having predictable cashflow relies upon being able to accurately forecast incoming cash and outgoing cash from sales to customers and purchases from suppliers. Sopra Steria can provide advice and practical hands-on assistance to:

- Improve your Sales Order to Cash Collection (O2C) cycle to reduce your average debtor days. This will bring in more cash earlier with more predictability.
- Improve your Purchase to Pay systems so that the transaction processing cost of dealing with suppliers' invoices is reduced, liabilities are promptly recognised, and outgoing cash can be forecast accurately.

Today's technology can ensure that most of a company's P2P processes are compliant with corporate procedures. Compliant P2P processes have accurate data so they can lead to savings of up to 10% from more efficient procurement, better supplier terms and lower transaction costs. These savings contribute directly to a company's bottom line, both increasing profits and reducing working capital, while improving compliance and lowering risk.

Increase pre-tax profit

Sopra Steria can deploy Spend Analytics to help you to identify savings on procurement costs. For example, in a company with a pre-tax profit margin of 8% of sales, where supplier spend is 40% of sales revenue and 80% of spend is 'influencable', every 2.5% saved increases pre-tax profit by 10%.

Exposure to risk

P2P processes that are not compliant with corporate procedures expose a business and its directors to a litany of known and unknown risks, including:

- **Sourcing Provenance.** Goods/services may not comply with corporate policy and may be in conflict with statements to investors, regulatory agencies and the public. For example, the supply chain may not be verifiable as to Chain of Custody, may involve child labour or 'blood stained commodities' in its manufacture, may incorporate poor environmental practices or a high carbon score, and may not be fair trade.

- **Security Risks.** Unapproved products/services may expose a company to a range of security risks, including fraud, unauthorised access and data loss.
- **Financial Risks.** Known risks include potential fraud, lower profitability, higher working capital, less predictable cashflow and a reduced ability to comply with the UK Prompt Payment Code. Unknown risks include unquantified liabilities at period ends with little or no information about who is ordering what from whom. This in turn means cashflow cannot be forecast accurately and a cash buffer may have to be maintained to pay unknown supplier liabilities, which results in less efficient working capital.
- **High Procurement Costs.** Non-compliant P2P processes may not have a purchase order, may not be approved, may not have line level detail and may be from unapproved suppliers.

On the other hand, compliant purchase data becomes 'visible', and therefore it can be incorporated into existing contract/catalogue/framework agreements; the number of suppliers can be rationalised; negotiated prices can cover more items; more volume can go through approved suppliers, resulting in higher volume based discounts, lower prices, better control and more early settlement discounts taken. Compliant purchase data makes cashflow more predictable and the integrity of the supply chain follows as a result.

3. Increasing profitability

In addition to the potential for using Spend Analytics to increase pre-tax profit (see previous page), Sopra Steria can:

- Show you how you can earn up to 10% on surplus cash by re-investing it internally in dynamic vendor financing. For example, paying your suppliers earlier than agreed for a dynamically agreed discount. This can save up to an average 0.5% from all your purchases, which improves your profitability.
- Help you to improve your working capital by making it more efficient. Improved Sales Order to Cash Collection and Purchase to Pay systems means you can reduce the cash buffer sitting idle and tying up capital.

There are two enabling technologies for efficient P2P:

- P2P Diagnostic and Analytics
- E-Invoicing 'visible'

Sopra Steria can help you to get the best value from both .

Better P2P is a self-financing virtuous circle:

- Process Analytics can identify the processes to fix first
- Fixing faulty processes makes more spend 'visible'
- Spend Analytics can be deployed across more transactions
- More savings can be identified in procurement.



4. Good corporate governance

The UK Corporate Governance Code is a set of principles of good corporate governance that requires public listed companies both to disclose how they have complied with the Code and to explain where they have not applied the Code. Private companies are also encouraged to conform; however there is no requirement for disclosure of compliance in private company accounts. The Code is generally seen as 'best practice' in corporate governance for private companies and includes the following requirements:

- The CEO and Chairman of companies should be separated
- Boards should have at least three non-executive directors, two of whom should have no financial or personal ties to the company executives
- Each board should have an audit committee composed of non-executive directors
- Each board should have a remuneration committee that does not include executive directors, but possibly does include the chairman
- Directors should have long-term performance related pay, which should be disclosed in the company accounts and contracts renewable each year
- The Chairman of the board should be seen as the "leader" of the non-executive directors.

Not all the UK Corporate Governance Code requirements are applicable for all private companies depending upon their size. Naturally the cost of compliance has to be balanced against the benefit of being perceived as more 'bankable'. Sopra Steria can include an assessment and recommended optimal position for your company.

5. New Prompt Payment regulations compliance*

Is your business ready to comply? Details will be published in the autumn and passed into law by Christmas 2015:

- There is likely to be a mandatory obligation for all large companies / Limited Liability Partnerships (LLPs)
- They will need to report publicly on their payment performance at least twice a year
- Each business entity will probably have to report on an individual basis and NOT on a group basis, and the reports will need to be approved by a director
- There are likely to be criminal sanctions against directors for non-compliance
- Paying suppliers in 30 days is likely to be the expected 'norm' and 60 days the expected maximum (defined as paying 95% of invoices within 60 days, unless there are exceptional circumstances); 60 days is a normal maximum for payment, set out in the EU Late Payment Directive.

Paying within the new norms and reporting by legal entity requires efficient Purchase to Pay processes for every company in a group.

P2P Diagnostic Analytics can highlight the non-compliant parts of the Prompt Payment and P2P processes that need fixing.

Widespread e-invoicing or electronic data interchange (EDI) make it possible to take advantage of vendor financing, which can save significant amounts of money for a large company: earning up 10%/year on surplus funds or saving an average of 0.5% on all purchases.

A company or LLP is a large entity during a year in which two or more metrics are greater than: £25.9m (turnover); £12.9m (balance sheet total); 250 (number of employees). (The same as the Companies Act)

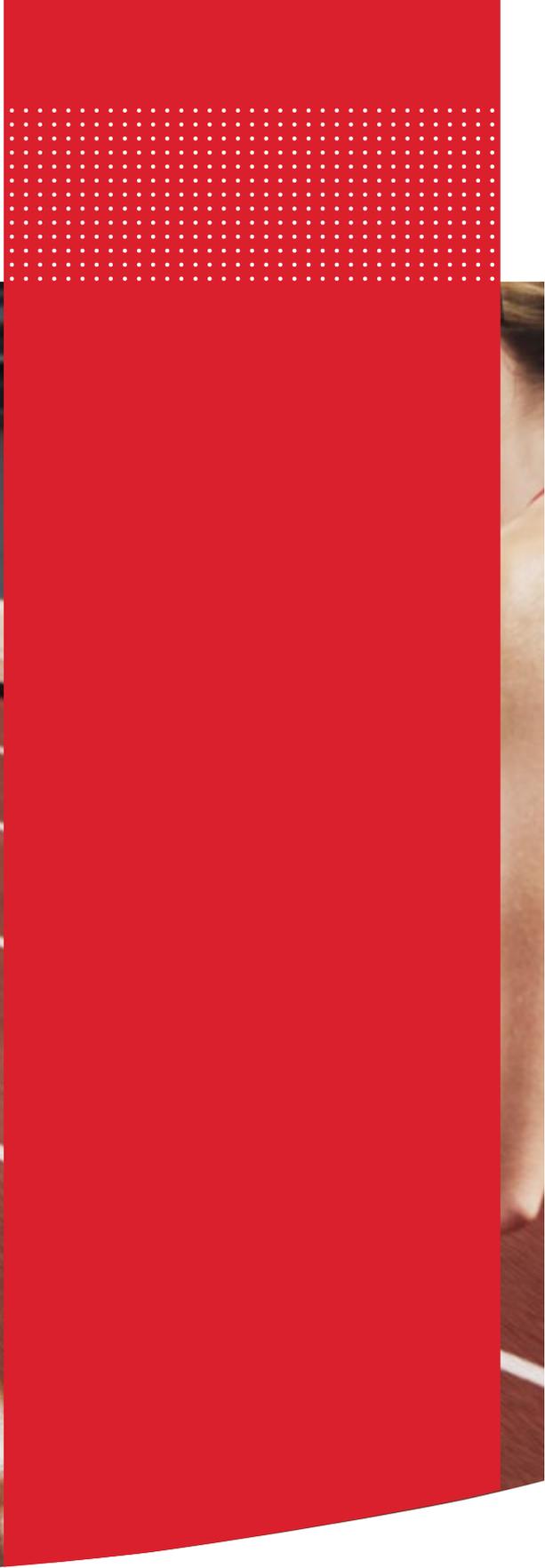
Each large legal entity may have to publish details on:

- Whether they use e-invoicing, whether it is mandatory and whether they offer supply chain finance
- The standard payment terms of the company and whether these are part of any code of conduct or code of ethics
- Any non-standard payment terms and the processing and payment of invoices by reference to such codes of conduct or standards as may be prescribed (and as are applicable) to companies generally or to particular types of company or industry
- Any disputes relating to the payment of invoices, including any dispute resolution mechanism that the company uses
- Any payments owed or paid by the company due to late payment of invoices, whether in respect of interest or otherwise.

In all probability information will have to be published:

- In a standard way, to be prescribed in the final legislation
- On each company's own website in an easily accessible place for suppliers
- In an open data structured format to enable information providers to collect and process it easily.

* The Primary Legislation, the Small Business, Enterprise and Employment Act 2015 received Royal Assent in March 2015. From April 2016, all large companies will have to comply with the new Prompt Payment Legislation. Based upon the 2014 public consultations we can expect at a minimum, the rules outlined above.



Fit for Funding Health-Check

Sopra Steria's Fit for Funding Health Check is used to review a range of issues that support efficient business processes. It will help to present the business in a better light when requesting funding from a bank. It identifies broader finance and systems transformation opportunities and enables proactive improvement of processes, technologies and people.

A Sopra Steria Fit for Funding Health Check will consider the following:

Accurate, reliable and prompt monthly accounts and management information to control and drive the business

Does Finance provide the right financial and management information to the right people at the right time? Factors considered:

- How quickly are underlying transaction systems closed at a period end?
- Can the underlying information be relied upon or do changes have to be made?
- How automated is the close?
- Is the information sufficient for management to drive the business?
- Are stakeholders actively surveyed?

Strategies to Improve Profitability

Does Finance have in place pro-active strategies to improve profitability, both within Finance and across the wider business? Factors considered:

- Is e-invoicing used?
- Are online catalogues used for buying?
- Are there processes to enforce buying procedures?
- Is vendor finance offered to reduce supplier costs?
- Is Spend Analytics used to proactively reduce supplier costs?
- Is office automation and systems integration considered?

Predictable Cashflow

Can the underlying systems and processes be relied upon to produce reliable cashflow forecasts? Factors considered:

- How efficient are the Purchase to Pay processes?
- How efficient are the Sales Order to Cash processes?
- How efficiently is stock controlled?
- Can budgets be relied upon for forward forecasts?
- How reliable are forward sales forecasts?
- Is capital expenditure forecast and reliable?

Prompt Payment Regulations Compliance

Does Finance have in place pro-active strategies to comply with the new Prompt Payment regulations? Factors considered:

- Does the company plan to comply with the new Prompt Payment regulations?
- Does the business have standard payment terms and is it part of a code of conduct for the company?
- Does the company have a dispute resolution process?
- Is the company able to pay most people in 30-60 days?

Corporate Governance

How far does the business embrace good corporate governance and how far along the curve is the optimal point? Factors considered:

- Are the Chairman and CEO separate people?
- Are there any non-executive directors?
- Is there an audit committee?
- Is there a risk committee?
- How far along the best practice curve of good corporate governance does the business want to be?

Our pedigree

Sopra Steria is the name behind some remarkable achievements in the UK and across Europe. We are well known in our industry and behind the scenes support many household names like Whitbread, Thomas Cook and Centrica, and we also support many smaller businesses.

As the number one F&A Business Process Outsourcing provider in the UK* we understand that finance functions are unique and have different challenges maturity and aspirations. We provide tailored solutions that are unique to an organisation's circumstances and needs. Whether this is helping them become Fit for Funding or supporting them in other areas we can help CFOs identify:

1. Opportunities for Finance function improvement

- Our Finance Maturity Assessment (FMA) can help to identify Finance improvements to support business growth, reduce costs, improve business resilience and develop capabilities to deliver effective change.

2. Finance systems and process optimisation opportunities

- Our Systems and Process Optimisation Diagnostic (SPOD) identifies systems and processes that are ready for optimisation. Our tailored workshops assess a wide range of cost-effective opportunities that will fit your systems environment.

3. How to design an effective and efficient Finance function Target Operating Model (TOM)

- Our Rapid TOM is used to help finance functions quickly develop a target operating model that is aligned to their people, process and systems aspirations

Sopra Steria is the partner of choice for organisations that want to get the most out of information technology in order to enhance their development and competitive edge. We have been supporting UK businesses for over 40 years with our leading Business Process and Systems Integration Solutions. We don't just offer advice but are hands-on in designing, building and operating solutions for clients.

*Nelson Hall's Global BPO Market Forecast: 2014 - 2018

Get in touch

Find out how Sopra Steria can get you Fit for Funding with a healthy, viable business supported by optimal financial processes and reporting.

Contact info.uk@soprasteria.com referencing 'Fit for Funding'.

Or to find out more go to our website: www.soprasteria.co.uk

Our affordable Fit for Funding Health Check is designed to help businesses like yours be better positioned to approach a bank for funding.

About Sopra Steria

Sopra Steria, European leader in digital transformation, provides one of the most comprehensive portfolios of end to end service offerings in the market: Consulting, Systems Integration, Software Development and Business Process Services. Sopra Steria is trusted by leading private and public organisations to deliver successful transformation programmes that address their most complex and critical business challenges. Combining high quality and performance services, added-value and innovation, Sopra Steria enables its clients to make the best use of information technology.



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