

Registered number
5280446

NHS Shared Business Services Limited

Report and Accounts

31 December 2012

**Registered Office:
Three Cherry Trees Lane
Hemel Hempstead
Hertfordshire
HP2 7AH**

NHS Shared Business Services Limited

Registered number - 5280446

Chairman's Statement

In 2012 NHS Shared Business Services had its most successful year to date. We delivered strong business performance and growth against a backdrop of organisational change and continued uncertainty in the National Health Service (NHS).

NHS Shared Business Services saw a substantial increase in revenue from £62.4 million in 2011 to £81.2 million in 2012, representing growth of 30%. We also increased our profitability before tax from £4.6 million to £7.8 million before accounting for the Department of Health (DH) licence fee, and are pleased once again to distribute part of this to our NHS clients in 2013. These funds for clients are in addition to the operational and efficiency savings of around 30%, and demonstrate one of the unique benefits of working in partnership with NHS Shared Business Services.

We were successful in winning a contract with the NHS Commissioning Board to provide Finance & Accounting services for the Commissioner side of the NHS. We also were successful in our bid to provide Family Health Services for PCTs in the South West of England, which means that NHS Shared Business Services is now the largest provider of Family Health Services in the NHS with a total of 26 clients. The Payroll business also had a good year in terms of increased profitability and a substantial improvement in client satisfaction levels during 2012. An important milestone in 2012 was establishing a foundation client for our transformational procurement offering, and we expect further growth in this area in 2013.

NHS Shared Business Services now works with more than 50% of all NHS Trusts and organisations, and continues to play an important role working with client Trusts to manage change as the NHS prepares for the move to Clinical Commissioning Groups from 1 April this year.

We also achieved a key strategic objective to be a catalyst for change for the NHS in England – providing Finance & Accounting services for Clinical Commissioning Groups enables the NHS Commissioning Board to have clear governance and accountability of around £90 billion of NHS spend. We are able to provide stability, consistency and assurance in financial management and reporting, which will be critical to the successful reorganisation of the NHS over the next three years.

With around 1,900 people working for NHS Shared Business Services from 15 locations in the UK and India, our people are highly trained and bring together a mix of commercial skills and NHS expertise.

At NHS Shared Business Services our people and our services support the NHS to deliver real cost savings for the NHS. Our focus in 2013 is to continue to drive growth and bring greater innovation to business support services in the NHS.

David Edmonds CBE
Chairman



NHS Shared Business Services Limited

Registered number - 5280446

Chief Executive's Report

Performance and Growth

Our strategic priorities in 2012 were to increase revenues and profitability in line with the long term growth plans for NHS Shared Business Services, whilst expanding the range of services we offer to NHS Trusts and organisations.

We grew strongly in 2012, reporting year end revenues and other income of £81.2 million and a profit before accounting for the DH licence fee of £7.8 million.

We now have over 200 NHS clients with over 300 contracts for different service lines, and our focus in 2013 is to sell the full range of services to all our current clients. We are also reviewing opportunities to explore new market areas such as HR which will enhance the overall portfolio of services designed for the NHS.

NHS Shared Business Services has a key role to play in supporting change in the NHS, in particular by providing the single financial platform for Clinical Commissioning Groups and Commissioning Support Units from 1 April 2013. We uniquely have the technology, skills and people to deliver this service and the NHS Commissioning Board will be better able to manage risk, ensure transparency and governance for all NHS stakeholders.

Operational Efficiency

I am pleased to report that client satisfaction scores continued to increase in 2012, which reflects the investment we have made both in our people and our operational systems to drive up quality and service excellence. In 2012 we made further investment in the Oracle R12 upgrade and expanded implementation of our Business Intelligence solution, providing clients with enhanced reporting capability and even better quality management information.

In 2012 we launched our Service Excellence programme which touches all areas of the business to drive improvements in service quality and performance. As part of this programme we are using Lean methodologies to improve systems and processes, and our initial Lean pilot in 2012 delivered productivity savings in excess of 16%. We are expanding Lean across the business in 2013, and expect great improvements both in productivity and service quality.

NHS Shared Business Services is a leader in Information Governance and data security in the NHS, providing additional assurance for our clients. In 2012 we invested more than 10,000 hours of IG toolkit training so that all our people are accredited at the highest level.

People

The focus on growth and service excellence has been possible because of the energy, enthusiasm and commitment of our people. We have expanded the business in 2012 and now have around 1,900 people working for NHS Shared Business Services. We have successfully launched our Service Excellence programme, with more than 900 people taking part in workshops across the country. We also launched our Inspirational Leadership programme in 2012 which will reach the top 60 senior managers across the organisation. These people development programmes are energising and galvanising our people with a common purpose – to improve service quality, deliver efficiency savings and make a positive difference for our NHS clients.

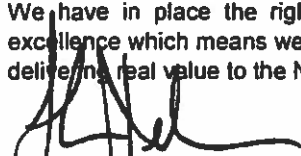
We are committed to those communities in which we operate. Our people regularly raise funds and get involved in supporting local community organisations focused on health and education. At NHS Shared Business Services we are committed to equality and diversity, and ensuring that our people are treated with dignity and respect. We ensure we meet our obligations under equality legislation and aim at best practice policies and benchmarks so that all our people are able to achieve their full potential. 2013 will see us achieve accreditation to ISO14001, demonstrating our further commitment to sustainability and the environment.

Chief Executive's Report continued

Summary

2012 was a year when NHS Shared Business Services grew on many fronts, expanding our range of services, growing client numbers and developing our capability to support the NHS. We continue to benefit from the support of a number of senior stakeholders across the NHS, and are recognised by many NHS commentators as the best example of a shared services organisation in the public sector.

We have in place the right people, the right services and a reputation for innovation, quality and service excellence which means we are uniquely placed to support the NHS to achieve its goals now and into the future - delivering real value to the NHS.



John Neilson
Chief Executive

NHS Shared Business Services Limited

Registered number - 5280446

Directors' Report

The Directors are pleased to present their report and financial statements for the year ended 31 December 2012.

Principal activities and Review of the Business

The Company is a joint venture between Steria Limited and The Secretary of State for Health designed to enable National Health Service ("NHS") organisations to improve the efficiency of their back office functions and thereby free up funds for frontline patient care.

The Company provides Finance and Accounting, Payroll, Family Health Services and Procurement to over 200 NHS organisations. Discussions are ongoing with a significant number of other NHS Organisations and the Directors are satisfied that the operations of the Company are consistent with the business plan developed by the joint venture partners.

The Chairman's report refers to the principal business risk facing NHS Shared Business Services and relates to the current economic environment and the lack of economic certainty which could, in turn, slow down business growth.

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

	Year ended 31 December 2012	Year ended 31 December 2011
Number of Services Contracts	297	273
Finance and Accounting Transaction Volumes	5,388,446	4,760,668
Turnover	£81,164,885	£62,447,149
Operating Profit Percentage	7.1%	5.6%

Results and Dividends

The profit after taxation for the year was £7,818,117 (2011: £4,188,440) which includes deferred tax of £3,996,771 (2011: £917,438) reflecting NHS Shared Business Services move into profitability.

No dividend was paid during the year (2011: £nil) and the Directors do not propose the payment of a final dividend for 2012 (2011: £nil).

Internal Control

Strategic, financial, commercial, operational, social, environment and ethical risks are all independently considered as part of the Company's controls which are designed to manage rather than eliminate the risk of failure to achieve business objectives. Therefore they can only provide reasonable, not absolute, assurance against material misstatement or loss.

As part of its Quality Assurance Program NHS Shared Business Services convened the Quality Assurance Committee in 2012 (replacing its IG sub-Committee). The terms of reference for this committee include the objective to monitor and maintain robust controls across the Quality Assurance Program covering Information Governance, Risk Management (including Incident Reporting), Information Security and Business Continuity. The committee has provided regular assurance reports via the Executive Management Committee to NHS Shared Business Services Audit Committee and Board throughout the year.

Information Governance Assurance Framework

As part of our continual assurance with the NHS Information Governance Assurance Framework, NHS Shared Business Services has fully engaged in the revised version of the NHS Information Governance assessment (IG Toolkit – version 9).

In 2012 NHS Shared Business Services has continued to achieve a satisfactory standard with all requirements being marked as a Level 2 or above, achieving an improved score based on previous years, of 97% compliance.

Report of the Directors continued

As part of our Internal Quality Assurance program our evidence provided to support this assessment was evaluated against the criteria of the IGT – version 9 and additional requirements as outlined in the Audit Commission report “A Question of Balance” by our Internal Auditors BDO LLP. The audit findings and the final report provided a Substantial grading for both design and operational effectiveness, identifying only two minor recommendations for improvement within NHS Shared Business Services that have been implemented.

In addition, and as part of our support for the Department of Health internal assurance program, NHS Shared Business Services engaged in the Information Assurance Maturity Model (IAMM) scheme as required for Government Departments by the Cabinet Office. NHS Shared Business Services as both a service provider and a joint venture fully engaged in this process and reported Level 2 compliance to the Department of Health for 2012.

Information Governance Statement of Compliance

As part of our service provision NHS Shared Business Services is required to be able to demonstrate compliance against certain standards for the use of the NHS N3 network and related NHS Care Record Systems. In 2012 NHS Shared Business Services has successfully maintained its IG Statement of Compliance. This assurance is measured against the IG Toolkit and for a third year running, NHS Shared Business Services was able to demonstrate successfully both their compliance achieving the minimum standards of Level 2 across all criteria, exceeding in most areas to the highest standard, Level 3.

Risk Management

In 2012, NHS Shared Business Services has continued to embed the corporate Risk Management Strategy across its operational business, ensuring all key risks are identified and managed at local and senior management levels. Central reports of key strategic and operational risks are regularly reported to the NHS Shared Business Services Audit Committee and Board accordingly.

In accordance with the Department of Health guidance on managing information risk within an organisation, NHS Shared Business Services has continued to embed robust procedures to improve its overall information risk management approach including the reporting of incidents for data loss or breaches of confidentiality.

In 2012, NHS Shared Business Services reported 5 Serious Incidents Requiring Investigation (SIRIs) to the Department of Health and the Information Commissioners Office. All incidents were fully investigated and remedial actions were taken to reduce the potential risk of repeating such a breach.

Training

All NHS Shared Business Services staff receive comprehensive Information Governance training and complete several elements of the NHS computer based training modules that have been made available to NHS Shared Business Services by Connecting for Health as part of our core training requirements for all employees working within or on behalf of NHS SBS.

Within the last year, over 1,300 staff have completed more than 2,000 hours of further training and on-line assessments including Information Security Awareness and Information Governance refresher modules using the NHS e-learning facilities.

As well as Anti Money Laundering and Fraud Prevention training, NHS Shared Business Services supports staff in a wide range of financial and non-financial professional training courses, including Accounting and Finance, Payroll and Project Management.

Directors

The Directors of the Company during the year were as follows:

D S Ahluwalia
P Coates
D A Edmonds (Chairman)
J A S Jewitt
J P Tomie
J D Vincent
J J Potter

Report of the Directors continued

J Vincent resigned on 18 May 2012 and J Potter resigned on 31 December 2012. There were no other changes to the Directors during the year or after the year end.

Political and charitable donations

The Company did not make any political or charitable contributions during the year (2011: £nil).

Directors' Responsibilities Statement

The Directors are responsible for preparing 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). 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 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 accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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 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.

The directors confirm that:

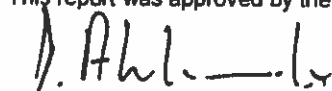
- so far as each director is aware there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

In accordance with s.487(i)(b) of the Companies Act 2006 the Directors propose that Grant Thornton UK LLP be re-appointed as Auditor of the Company for the financial year ending 31 December 2013.

This report was approved by the board on 14 March 2013 and signed on its behalf.



D S Ahluwalia
Director

Independent auditor's report to the members of NHS Shared Business Services Limited

We have audited the financial statements of NHS Shared Business Services Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities 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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2012 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.



Timothy Lincoln
Senior Statutory Auditor

for and on behalf of
Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds
United Kingdom

19 March 2013.

NHS Shared Business Services Limited
Profit and Loss Account
for the year ended 31 December 2012

Registered number - 5280446

	Notes	2012 £'000	2011 £'000
Turnover	2	81,165	62,447
Administrative expenses before Licence and Turnover Fee		(73,838)	(58,544)
Licence and Turnover Fee		(2,195)	(1,347)
Total administrative expenses after Licence and Turnover Fee		(76,033)	(59,891)
Other operating income		91	152
Operating profit	3	<u>5,223</u>	<u>2,708</u>
Dividend receivable	6	500	786
Interest receivable		230	82
Interest payable	7	(308)	(298)
Profit on ordinary activities before taxation		<u>5,645</u>	<u>3,278</u>
Tax on profit on ordinary activities	8	2,178	890
Profit for the financial year	21	<u>7,823</u>	<u>4,168</u>

All of the activities of the Company are classed as continuing by the Directors.

The accompanying accounting policies and notes form part of these financial statements.

NHS Shared Business Services Limited
Statement of Total Recognised Gains and Losses
for the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Profit for the period	20	7,823	4,168
Actuarial (loss) on defined benefit pension scheme	25	(1,689)	-
Deferred tax credit regarding pension contribution excess		376	-
Current tax credit regarding pension contribution excess		12	-
Change in rate of tax		(31)	-
Total recognised gains and losses related to the period		<u>6,491</u>	<u>4,168</u>

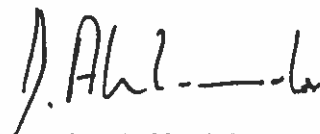
NHS Shared Business Services Limited
Balance Sheet
as at 31 December 2012

Registered number - 5280446

	Notes	2012 £'000	2011 £'000
Fixed assets			
Intangible assets	9	6,619	6,008
Tangible assets	10	8,763	7,613
Investments	11	<u>1</u>	<u>1</u>
		15,383	13,622
Current assets			
Deferred Tax	16	5,614	1,617
Debtors:			
Amounts falling due within one year	12	10,484	10,077
Amounts falling due after more than one year	13	4,883	4,302
Cash at bank and in hand		<u>25,133</u>	<u>16,723</u>
		46,114	32,719
Creditors: amounts falling due within one year	14	<u>(25,202)</u>	<u>(17,869)</u>
Net current assets		20,912	14,850
Total assets less current liabilities		<u>36,295</u>	<u>28,472</u>
Creditors: amounts falling due after more than one year	15	(22,600)	(22,600)
Pension Liability	25	(2,456)	-
Net assets		<u>11,239</u>	<u>5,872</u>
Capital and reserves			
Called up share capital	17	11	11
Share premium	18	152	148
Other reserve	19	2,256	3,481
Profit and loss account	20	8,820	2,232
Shareholders' funds	21	<u>11,239</u>	<u>5,872</u>

D S Ahluwalia
 Director

Approved by the board on 14 March 2013



The accompanying accounting policies and notes form part of these financial statements.

NHS Shared Business Services Limited
Cash Flow Statement
for the year ended 31 December 2012

Registered number - 5280446

	Notes	2012 £'000	2011 £'000
CASH FLOW STATEMENT			
Net cash inflow from operating activities	22	12,942	2,213
Returns on investments and servicing of finance		426	570
Taxation		(51)	(12)
Capital expenditure		(4,911)	(3,361)
Financing		4	-
Increase/(decrease) in cash	23	<u>8,410</u>	<u>(590)</u>

The accompanying accounting policies and notes form part of these financial statements.

NHS Shared Business Services Limited
Notes to the Accounts
for the year ended 31 December 2012

1 Accounting policies

Basis of preparation

The accounts have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards.

Going concern

The Directors are satisfied that the Company has adequate resources for its foreseeable needs given current budget and forecasts, availability of liquid resources, current loan facilities and long term visibility on key contracts, and for this reason the board have concluded that there are no material uncertainties in adopting the going concern basis in preparing the financial statements.

Turnover

Turnover comprises the fair value of fees and expenses due from external customers after deducting all credits and allowances and excluding value added tax. Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured.

In respect of services performed, turnover is recognised over time as activity progresses to reflect the performance of contractual obligations. The amount of revenue reflects the amount of work performed. Where the right to consideration does not arise until a key stage has been completed, revenue is not recognised until that event has occurred. Revenue for the Integrated Single Financial Environment has been recognised on a cost to complete basis, where revenue is recognised in proportion to the state of completion of the project.

Depreciation

Depreciation is provided on all tangible fixed assets so as to write them off over their anticipated useful lives at the following annual rates on a straight line basis:

Improvement to Leasehold	20%-33%
Fixtures and Fittings	10%-33%
IT Hardware	20%-33%
IT Software	14%-33%

The carrying values of tangible fixed assets are reviewed for impairment in the year if events or changes in circumstances indicate the carrying value may not be recovered.

Liquid resources

Liquid resources are defined as Current asset investments held as readily disposable stores of value. A readily disposable investment is one that is disposable by the company without curtailing or disrupting its business and is either:

- (a) readily convertible into known amounts of cash at, or close to, its carrying amount;
- (b) traded in an active market.

Intangible fixed assets

These assets represent software licences for the long term benefit of the Company, capitalised at cost and amortised over the licence period of 10 years and Goodwill arising on acquisition of a business which is being written off over its estimated economic life of 10 years.

Share Based Payments

The Company operates various share based award schemes, all of which are equity settled. The fair value at the date at which the share based awards are granted is recognised in the Profit and Loss account on a straight line basis over the vesting period, with a corresponding increase in the shareholders equity based on an estimate of the number of shares that will eventually vest. The services received from employees are measured by reference to the fair value of the awards granted.

NHS Shared Business Services Limited
Notes to the Accounts
for the year ended 31 December 2012

1 Accounting policies continued

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the accounts that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the accounts.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits in the foreseeable future from which the reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being recognised only if and when the replacement assets are sold.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is measured on a non-discounted basis.

Finance Act 2011 provides that the main rate of corporation tax will fall to 23% with effect from 1 April 2013. As this legislation has been substantially enacted at the balance sheet date the impact of the tax rate reduction on the deferred tax balances carried forward has been included in the accounts.

A further reduction to the main rate has been proposed whereby the main rate will reduce to 21% by 1 April 2014. This change had not been substantively enacted at the balance sheet date and is not included in these Financial statements. The company expects the impact of these changes to the financial statements to be negligible.

Pensions

The Company sponsors a defined benefit pension scheme, as described in Note 25. The cost of providing benefits under the plan is determined using the projected unit credit actuarial valuation method.

The current service cost and gains and losses on settlements and curtailments are included in the profit and loss account. Past service costs are similarly included where the benefits have vested, otherwise they are amortised on a straight line basis over the vesting period. The current service cost is the increase in the present value of the obligation arising from employee service in the current period.

The expected return on assets and the interest cost arising on scheme liabilities are recognised in the income statement as components of finance expense. The expected return on assets is based upon market expectations at the beginning of the period for returns over the life of the related obligations, allowing for expected contributions and benefit payments. The interest cost represents the increase in the present value of the obligation which arises because the benefits are one year closer to settlement and is calculated as the present value of the obligation throughout the period multiplied by the discount rate at the start of the period, allowing for any material changes in the obligation.

NHS Shared Business Services Limited
Notes to the Accounts
for the year ended 31 December 2012

1 Accounting policies continued

Differences between the actual and expected return on assets, changes in the retirement benefit obligation due to experience and changes in actuarial assumptions are included in the statement of recognised income and expense in full in the period in which they arise.

In addition the Company makes contributions to money purchase pension schemes for those employees who wish to participate. Contributions are paid to the scheme so as to secure the benefits set out in the rules. Contributions are charged to the profit and loss account in the period in which they are due.

Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Provisions

Provisions are recognised when the Company has a present obligation as a result of past events when it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Licence Fee

The licence fee calculation is a contractually committed payment due to the Department of Health for the provision of on-going finance and accounting services. The amount is calculated based upon a formula linked to the revenue and profit performance of the finance and accounting business activities of NHS SBS.

Interest income

Interest income and expenses are recognised as they accrue using the effective interest method.

Other reserve movement

The other reserve movement is a direct result of the amortisation of the initial investments provided by the Shareholders on the formation of the Company.

2 Turnover

All turnover is generated and delivered within the United Kingdom and the Directors consider that the Company operates one continuing class of business, namely that of the provision of finance and accounting staff and services.

3 Operating profit

	2012	2011
	£'000	£'000
This is stated after charging:		
Depreciation of owned fixed assets	2,257	3,286
Amortisation of intangible fixed assets	893	820
Operating lease rentals - plant and machinery	161	95
Operating lease rentals - land buildings	1,350	1,478
Auditors' remuneration - audit of the financial statements	50	46
Auditors' remuneration - Group reportings fees	41	-
Auditors' remuneration - other services	89	84
Internal audit	74	71
Licence and Turnover Fee	<u>2,195</u>	<u>1,347</u>

NHS Shared Business Services Limited
Notes to the Accounts
for the year ended 31 December 2012

4 Other operating Income	2012	2011
	£'000	£'000
Rental income	<u>91</u>	<u>152</u>

5 Staff Costs	2012	2011
	£'000	£'000
Wages and salaries	22,892	-
Social security costs	2,154	-
Other pension costs	<u>3,346</u>	<u>-</u>
	<u>28,392</u>	<u>-</u>

On 1 January 2012, 313 employees of NHS Shared Employee Services Limited and 359 employees of Steria Limited transferred under TUPE into NHS Shared Business Services Limited. There is no material change to the risk profile of the business resulting from this change.

Directors and their emoluments:		
Emoluments	<u>106</u>	<u>106</u>

No other payments were made by the Company to the Directors in return for their services as Directors of the Company.

Average Number of employees during year	2012	2011
	Number	Number
Full Time Equivalents	668	-

Around 1,900 people work for the company including the finance, accounting and consultancy staff provided by Steria Limited.

6 Dividend Income	2012	2011
	£'000	£'000
Dividends received in year	<u>500</u>	<u>786</u>
7 Interest payable	2012	2011
	£'000	£'000
Amounts payable to related parties	<u>308</u>	<u>298</u>

NHS Shared Business Services Limited
Notes to the Accounts
for the year ended 31 December 2012

8 Taxation		
Tax on profit on ordinary activities	2012 £'000	2011 £'000
The credit for the year comprises:		
UK corporation tax - current year	154	27
Adjustments in respect of prior years	1,665	-
Total current tax	<u>1,819</u>	<u>27</u>
Deferred tax	(3,997)	(917)
Tax on profit on ordinary activities	<u>(2,178)</u>	<u>(890)</u>

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows :-

	2012 £'000	2011 £'000
Profit on ordinary activities before tax	<u>5,645</u>	<u>3,278</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 24.5% (2011: 26.5%)	1,383	869
Effects of:		
Expenses not deductible for tax purposes	341	208
Share based payments	5	-
Non taxable dividend accrual	(123)	(208)
Capital allowances in excess of depreciation	(9)	487
Utilisation of tax losses brought forward	(1,443)	(1,329)
Adjustments to tax charge in respect of previous periods	1,665	-
Total current tax charge for the period	<u>1,819</u>	<u>27</u>

The prior year adjustment primarily relates to inter group tax payments arising on the full recognition of deferred tax on the tax losses carried forward by NHS Shared Business Services.

9 Intangible fixed assets

	Goodwill £'000	Software Licences £'000	Total £'000
Cost			
At 1 January 2012	275	12,956	13,231
Additions	-	1,504	1,504
At 31 December 2012	<u>275</u>	<u>14,460</u>	<u>14,735</u>
Amortisation			
At 1 January 2012	28	7,195	7,223
Provided during the year	28	865	893
At 31 December 2012	<u>56</u>	<u>8,060</u>	<u>8,116</u>
Net book value			
At 31 December 2012	<u>219</u>	<u>6,400</u>	<u>6,619</u>
At 31 December 2011	<u>247</u>	<u>5,761</u>	<u>6,008</u>

NHS Shared Business Services Limited
Notes to the Accounts
for the year ended 31 December 2012

10 Tangible fixed assets

	Improvement to Leasehold £'000	Fixtures & fittings £'000	IT Software and Hardware £'000	Total £'000
Cost				
At 1 January 2012	102	1,515	16,071	17,688
Additions	-	742	2,673	3,415
Disposals	-	-	(16)	(16)
At 31 December 2012	<u>102</u>	<u>2,257</u>	<u>18,728</u>	<u>21,087</u>
Depreciation				
At 1 January 2012	102	1,368	8,605	10,075
Charge for the year	-	40	2,217	2,257
On disposals	-	-	(8)	(8)
At 31 December 2012	<u>102</u>	<u>1,408</u>	<u>10,814</u>	<u>12,324</u>
Net book value				
At 31 December 2012	<u>-</u>	<u>849</u>	<u>7,914</u>	<u>8,763</u>
At 31 December 2011	<u>-</u>	<u>147</u>	<u>7,466</u>	<u>7,613</u>

During 2012, the Company undertook a review of its Depreciation Accounting policy for the Oracle Release 12 programme and deemed its useful economic life to be 7 years (2011: 3 years) based on the experience with Oracle Release 11 and the latest plans from Oracle for the next release. This resulted in a reduced level of depreciation of £0.9m in the year.

11 Investments

	Investments in subsidiary undertakings £'000
Cost	
At 1 January 2012 and 31 December 2012	<u>1</u>

The investment represents 490 A ordinary shares of NHS Shared Employee Services Limited. The total issued share capital of that company is 1,000 ordinary shares. The remaining 510 B Ordinary shares of NHS Shared Employee Services Limited are owned by Steria Limited, a co-parent company of NHS Shared Business Services Limited.

The 2012 NHS Shared Employee Services Limited accounts are not yet available, as such the amounts included for 2011 represent the latest audited position filed at Companies House.

As at 31 December 2011, NHS Shared Employee Services Limited had reserves of (£348,000) with a profit for the period ended 31 December 2011 of £287,000.

NHS Shared Business Services Limited
Notes to the Accounts
for the year ended 31 December 2012

12 Debtors - amounts due within one year	2012	2011
	£'000	£'000
Trade debtors	3,754	3,500
Amounts due from related parties	914	1,173
Other debtors	1,634	718
Prepayments and accrued income	4,182	4,686
	<u>10,484</u>	<u>10,077</u>
13 Debtors - amounts due more than one year	2012	2011
	£'000	£'000
Prepayments	<u>4,883</u>	<u>4,302</u>
14 Creditors: amounts falling due within one year	2012	2011
	£'000	£'000
Trade creditors	578	397
Amounts due to related parties	8,533	8,485
Corporation tax payable	1,813	45
Other taxes and social security costs	643	74
Other creditors	6,568	4,816
Deferred income	7,067	4,052
	<u>25,202</u>	<u>17,869</u>
15 Creditors: Amounts falling due after more than one year	2012	2011
	£'000	£'000
Amounts due to related parties (Note 27)	<u>22,600</u>	<u>22,600</u>
16 Deferred taxation	2012	2011
	£'000	£'000
Opening balance	(1,617)	(700)
Credited in period	(3,997)	(917)
Disclosed within current assets due within one year	843	1,617
Disclosed within current assets due more than one year	4,771	-
	<u>-</u>	<u>-</u>
Closing deferred tax asset comprises :		
Short term timing differences	73	-
Accelerated capital allowances	276	-
Unutilised tax losses	5,265	1,617
	<u>5,614</u>	<u>1,617</u>
The closing unprovided deferred tax asset comprises :		
Unutilised tax losses	-	3,716
Accelerated capital allowances	-	512
	<u>-</u>	<u>4,228</u>

NHS Shared Business Services Limited
Notes to the Accounts
for the year ended 31 December 2012

17 Share capital	2012	2011	2012	2011
	Number	Number	£'000	£'000
Authorised:				
Ordinary shares of £1 each	12,000	12,000	12	12
Allotted, called up and fully paid:				
Ordinary shares	<u>11,003</u>	<u>11,002</u>	<u>11</u>	<u>11</u>
18 Share premium				2012
				£'000
At 1 January 2012 and 31 December 2011				148
Shares issued				<u>4</u>
At 31 December 2012				<u>152</u>
<p>On 1 January 2012 NHS SBS issued one new share to Steria Limited, an existing shareholder, the value of which was agreed between the shareholders of the Company and approved by the Directors as part of a restructuring of the Company's business.</p>				
19 Other reserve				2012
				£'000
At 1 January 2012				3,481
Transfer to the profit and loss account				(1,225)
At 31 December 2012				<u>2,256</u>
20 Profit and loss account				2012
				£'000
At 1 January 2012				2,232
Pension Liability				(1,162)
Profit for the financial year				7,823
Share-based payment				34
Actuarial losses on pension scheme				(1,689)
Tax on actuarial loss on defined benefit pension scheme				376
Current tax credit regarding pension contribution excess				12
Change in rate of tax				(31)
Transfer from other reserve				1,225
At 31 December 2012				<u>8,820</u>

NHS Shared Business Services Limited
Notes to the Accounts
for the year ended 31 December 2012

21 Reconciliation of movement in shareholders' funds		2012	2011
		£'000	£'000
At 1 January 2012		5,872	1,704
Pension Liability		(1,162)	-
Profit for the financial year		7,823	4,168
Share-based payment		34	-
Actuarial loss on defined benefit pension scheme		(1,689)	-
Tax on actuarial loss on defined benefit pension scheme		376	-
Current tax credit regarding pension contribution excess		12	-
Change in rate of tax		(31)	-
Shares issued		4	-
		<hr/>	<hr/>
At 31 December 2012		11,239	5,872
22 Reconciliation of operating profit to net cash inflow from operations		2012	2011
		£'000	£'000
Operating profit		5,223	2,708
Depreciation charges		2,257	3,286
Amortisation of intangible fixed assets		893	820
(Increase) in debtors		(988)	(3,221)
Increase/(decrease) in creditors		5,557	(1,380)
		<hr/>	<hr/>
Net cash inflow from operating activities		12,942	2,213
23 Analysis of changes in net debt			
	At 1 Jan 2012	Cash flows	At 31 Dec
	2012	2012	2012
	£'000	£'000	£'000
Cash at bank and in hand	16,723	8,410	25,133
Loans	(22,600)	-	(22,600)
	<hr/>	<hr/>	<hr/>
Total	(5,877)	8,410	2,533
24 Capital commitments		2012	2011
		£'000	£'000
Amounts contracted for but not provided in the accounts		-	256
		<hr/>	<hr/>

NHS Shared Business Services Limited
Notes to the Accounts
for the year ended 31 December 2012

25 Pension commitments

The Company sponsors the Federated Pension Plan ("the Scheme") for Staff Transferred from Public Service Schemes. On 1 January 2012, 313 employees of NHS Shared Employee Services Limited and 359 employees of Steria Limited transferred under TUPE into NHS Shared Business Services Limited and the responsibility for funding the scheme transferred to NHS Shared Business Services Limited on the same date.

The most recent actuarial valuation was performed as at 5 April 2010. The contribution rate has been set at 24.3% of pensionable salary plus deficit funding of £13,083 per month. The contributions made by the employer over the year ended 31 December 2012 were £2,588,000 (year ended 31 December 2011: £nil). The best estimate of contributions to be paid by the Company to the plan for the year ending 31 December 2013 is £2,504,000.

It is the policy of the Company to recognise all actuarial gains and losses in the period in which they occur outside the profit and loss account and in the statement of total recognised gains and losses.

	2012 £'000	2011 £'000		
Movement in the value of scheme assets during the period				
Fair value of plan assets at the start of the period	13,352	11,038		
Expected return on pension scheme assets	883	743		
Employer contributions	2,588	2,006		
Benefits and expenses paid from plan	(184)	(156)		
Plan participants' contributions	21	5		
Actuarial gain / (loss)	<u>1,515</u>	<u>(284)</u>		
	<u>18,175</u>	<u>13,352</u>		
Movement in the value of scheme liabilities during the period				
Value of scheme liabilities at the start of the period	(14,984)	(11,817)		
Total employer current service cost	(2,680)	(2,050)		
Interest on pension scheme liabilities	(754)	(624)		
Benefits and expenses paid from plan	184	156		
Past service cost	-	(66)		
Plan participants' contributions	(21)	(5)		
Actuarial loss	<u>(3,109)</u>	<u>(578)</u>		
	<u>(21,364)</u>	<u>(14,984)</u>		
Total expense recognised in the profit and loss account				
Current service cost	2,680	2,050		
Interest on pension scheme liabilities	754	624		
Expected return on pension scheme assets	(883)	(743)		
Net interest income on pension fund liabilities	(129)	(119)		
Past service cost	-	66		
Total expense	<u>2,551</u>	<u>1,997</u>		
History of scheme assets and liabilities				
	31 December 2012	31 December 2011	31 December 2010	31 December 2009
	£' 000	£' 000	£' 000	£' 000
Fair value of scheme assets	18,175	13,352	11,038	8,370
Present value of scheme liabilities	<u>(21,364)</u>	<u>(14,984)</u>	<u>(11,817)</u>	<u>(9,610)</u>
Net deficit in scheme	<u>(3,189)</u>	<u>(1,632)</u>	<u>(779)</u>	<u>(1,240)</u>

NHS Shared Business Services Limited
Notes to the Accounts
for the year ended 31 December 2012

25 Pension commitments continued
History of experience gains and losses :

Difference between expected and actual return on scheme assets:				
Amount (£000)	(1,515)	284	(1,134)	(1,174)
Percentage of scheme assets	(8%)	2%	(10%)	(14%)
Experience gains and losses arising on the scheme liabilities:				
Amount (£000)	71	638	146	-
Percentage of present value of scheme liabilities	0%	4%	1%	0%
Total amount recognised on the statement of recognised income and expense:				
Amount (£000)	(1,689)	(862)	578	(1,833)
Percentage of present value of scheme liabilities	(8%)	(6%)	5%	(19%)
Assets			2012	2011
			£' 000	£' 000
Equities			11,973	8,679
Government bonds			5,978	4,673
Cash			224	-
			<u>18,175</u>	<u>13,352</u>

Expected long term rates of return:

The expected return on bonds is determined by reference to UK long dated gilt and bond yields at the balance sheet date.

The expected rate of return on equities has been determined by setting an appropriate risk premium above gilt/bond yields having regard to market conditions at the balance sheet date.

The expected long term rate of return are as follows:

	2012	2011
	% per annum	% per annum
Equities	7.70	8.05
Government bonds	3.10	3.10
Cash	0.50	0.50
Overall for scheme	6.10	6.23

NHS Shared Business Services Limited
Notes to the Accounts
for the year ended 31 December 2012

25 Pension commitments continued
Actual return on plan assets

The actual return on the plan assets over the year ended 31 December 2012 was approximately 15.9% (31 December 2011: 3.8%).

Assumptions:	2012 % per annum	2011 % per annum
RPI price inflation	2.90	2.90
CPI price inflation	2.10	1.90
Salary increases	3.15	3.15
Rate of discount	4.30	4.70
Expected long-term rate of return on plan assets during financial year	5.70	6.07
Allowance for increases in pensions in payment: RPI, subject to a maximum increase in any year of 5.0%	2.80	2.80
Allowance for revaluation of deferred pensions: CPI, subject to a maximum increase in any year of 5.0%	2.10	1.80

Assumed mortality as at 31 December 2012 and 31 December 2011 was based on the S1P generational base tables with scaling of 90% for males and 110% for females projected using the CMI 2009 projection model with 1% long term improvement rate.

	2012 Male	2012 Female	2011 Male	2011 Female
Assumed life expectations on retirement at age 65				
Retiring today (member age 65)	22.8	23.2	22.7	23.1
Retiring in 25 years (member age 40)	24.2	24.8	24.1	24.7

Present values of defined benefit obligations, fair value of assets and deficit

	2012 £'000	2011 £'000
Present value of defined benefit obligation	(21,364)	(14,984)
Fair value of plan assets	18,175	13,352
Deficit in scheme	(3,189)	(1,632)
Related deferred tax asset	733	362
Net pension liability	(2,456)	(1,270)

Defined contribution arrangements

The Company makes contributions to a number of defined contribution pension schemes operated by the Steria Group in the UK. The main scheme is called the Steria Group Personal Pension Plan and is open to all employees who are not active employees of the Federated Pension Plan. Contributions to the legacy Xansa Money purchase Scheme ceased with effect from 1 April 2010.

As at 31 December 2012 the amount outstanding in respect of the Company's contribution to the Steria Group Personal Pension Plan was £60,473 (31 December 2011: £nil). Contributions made in respect of the year ended 31 December 2012 were £665,543 (31 December 2011: £nil).

The Company contributed £159,722 to the NHS Pension scheme in respect of employees who joined the Company, prior to them joining the Federated Pension Plan.

NHS Shared Business Services Limited
Notes to the Accounts
for the year ended 31 December 2012

26 Other financial commitments

At the year end the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2012 £'000	Land and buildings 2011 £'000	Equipment 2012 £'000	Equipment 2011 £'000
Operating leases which expire:				
within one year	-	165	-	-
within two to five years	927	405	161	95
in over five years	423	628	-	-
	<u>1,350</u>	<u>1,198</u>	<u>161</u>	<u>95</u>

27 Related party transactions

NHS Shared Business Services Limited is jointly owned by The Secretary of State for Health and Steria Limited. In the period ended 31 December 2012, related party transactions as listed below occurred which fall to be disclosed under Financial Reporting Standard No.8 "Related Party Disclosures".

Steria Limited provide NHS Shared Business Services Limited with finance, accounting and consultancy staff.

	Sales to related parties £'000	Purchases from related parties £'000	Amounts owing by related parties £'000	Amounts owing to related parties £'000
Department of Health	25	-	284	28,226
Steria Limited	361	54,559	130	2,907
NHS Shared Employee Services Limited	-	-	500	-
	<u>-</u>	<u>-</u>	<u>500</u>	<u>-</u>

Of which the following amounts were due after more than one year:
 Department of Health

22,600

The comparative figures for the period ended 31 December 2011 were:

Department of Health	2,670	142	218	27,550
Steria Limited	70	18,491	-	1,234
NHS Shared Employee Services Limited	482	25,848	955	2,302
	<u>482</u>	<u>25,848</u>	<u>955</u>	<u>2,302</u>

Of which the following amounts were due after more than one year:

Department of Health

22,600

NHS Shared Business Services Limited
Notes to the Accounts
for the year ended 31 December 2012

28 Share Based Payments

The Company's share-based payment plans are described in the paragraphs below and are awarded in Groupe Steria SCA shares. Shares options granted under these plans usually have a vesting period of 3 to 4 years.

(a) Steria Matching and Partnership Shares (SIP)

The SIP was introduced in August 2008. For the 12 months to 31 December 2012, the Board set a matching level of one matching share for every two partnership shares purchased.

As part of the Steria Matching and Partnership Share Plan, Steria grants matching shares:

	2012 Number	2011 Number
Outstanding at beginning of the year	-	-
Transferred in from fellow subsidiary	2,694	-
Granted during the year	2,041	-
Forfeited during the year	(190)	-
Vested during the year	(1,047)	-
Outstanding at end of the year	<u>3,498</u>	<u>-</u>

Matching shares are valued based on the share price on the date of the award. The weighted average remaining life at 31 December 2012 for matching share options was 1.88 years (2011: Nil years).

(b) Steria Leverage Scheme

The Leverage scheme offers all employees the opportunity to benefit from the growth in the Steria share price over a five year period. Shares are purchased up front at a discounted price and at the end of the 5 year period the employees receive 8.1 times the average increase per leveraged share or 3% per annum on their investment.

(c) Steria Free Shares

Steria offers free shares to certain senior employees. The key features of the Free Share Schemes are as follows :

- Participation is at the approval of the General Manager or Line Manager
- Dependent on the scheme, shares can be awarded with or without performance conditions
- In order to receive free shares the participant must remain an employee or retiree of the company for a minimum of three years.

The Company's share based payment arrangements are entirely equity settled and resulted in an expense in the year of £34,000 (2011: £nil).

NHS Shared Business Services Limited
Notes to the Accounts
for the year ended 31 December 2012

28 Share Based Payments continued

Share based payment transactions that have taken place during the year are as follows :

	2012	2011
	Number	Number
Outstanding at beginning of the year	-	-
Transferred in from fellow subsidiary	2,400	-
Granted during the period	900	-
Vested during the year	-	-
Forfeited during the year	(372)	-
Outstanding at end of the year	<u>2,928</u>	<u>-</u>

Free shares scheme have a nil exercise price and are valued at fair value on the date of grant using the binomial method. The weighted average time at 31 December 2012 until the free shares outstanding vest was 1.76 years (2011: Nil years).

29 Parent undertaking and ultimate controlling party

The immediate parent company is Steria Limited, a company incorporated in England. The Company's ultimate holding company at the balance sheet date is Groupe Steria SCA, a company registered in France. Groupe Steria SCA has included the Company and its immediate holding company in its group accounts, copies of which may be obtained from The Group Strategy & Investor Relations Director, Groupe Steria SCA, 43-45, Quai du President Roosevelt, F-92130 Issy-Les-Moulineaux, Cedex, France.

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

The ultimate controlling party is Groupe Steria SCA.