

Registered number: 05280446

NHS SHARED BUSINESS SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018



NHS SHARED BUSINESS SERVICES LIMITED

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NHS SHARED BUSINESS SERVICES LIMITED

COMPANY INFORMATION

DIRECTORS

D S Ahluwalia
D A Edmonds (Chairman)
J A S Jewitt
B M P Masterson
M J Thorman
J P Torrie

COMPANY SECRETARY

P A Cashmore

REGISTERED NUMBER

05280446

REGISTERED OFFICE

Three Cherry Trees Lane
Hemel Hempstead
Hertfordshire
HP2 7AH

INDEPENDENT AUDITOR

Mazars LLP
Chartered Accountants and Statutory Auditor
45 Church Street
Birmingham
B3 2RT

NHS SHARED BUSINESS SERVICES LIMITED

**CHAIRMAN AND CHIEF EXECUTIVE'S STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

The Chairman presents his statement for the year ended 31 December 2018.

Our corporate strategy for 2018 concentrated on growing our market share and developing innovative digital solutions that deliver better quality, cost-effective corporate services across the NHS.

Over the last 12 months our client base has successfully grown despite heightened political and economic uncertainty, which has led to a consolidation of NHS providers, a drive towards insourcing and demand for lower prices.

Our efficiency savings of between 20–30 per cent attracted five new clients to sign up for our core services, and over 50 clients renewed their contracts or signed agreements for new services.

The increase in client confidence was reflected in our customer satisfaction rating, or Net Promoter Score (NPS), ending the year at a historic high of +30.

Our foothold was strengthened in the East of England after we acquired the Anglia Support Partnership; fourteen new clients and 230 employees transferred across to us from the previous provider.

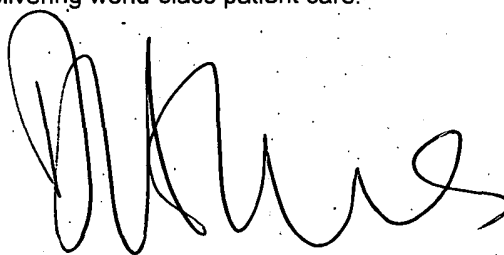
We have been focussing a lot of our efforts on innovative products and services that replace outdated, time-consuming and error-prone NHS processes, with affordable digital systems and modern ways of working. For example, our new digital cashier payment system, piloted with the University Hospital Southampton NHS Foundation Trust, is an online tool to collect low value debts. Income that, in many cases, would have historically been written off by the NHS.

Our talented workforce of around 1,000 employees has played an important part in the success of our Company. Our workforce strategy continues to place great emphasis on their development. Our Talent Development Programme, for example, gives employees wider experience and new skills that contribute to the success of our business.

Looking forward, we will continue to grow and enhance our core services and develop digital innovations to transform our business. This will help our clients meet their targets, improve their performance and finances, and enable them to concentrate on delivering world-class patient care.

Name David Edmonds CBE
Chairman

Date 14/8/19



NHS SHARED BUSINESS SERVICES LIMITED

CHAIRMAN AND CHIEF EXECUTIVE'S STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2018 Chief Executive's Statement

Over the last 12 months, we have accelerated our transformation agenda in direct response to a changing NHS market landscape. The decline of core traditional Business Process Outsourcing (BPO), market consolidation and pressure on price, means we need to continue to adapt our approach to respond to these threats.

Our corporate strategy focuses on building a strong foundation for growth and innovating for the future. We are focussing on disruptive technologies, expanding our scope of services and building key strategic relationships.

By exploiting our national size and scale we have been able to demonstrate value for money and the market has responded favourably. Our market share across core services has grown as a result. We also acquired the Anglia Support Partnership (ASP) to increase our NHS footprint in the East of England and expand into IT services.

Our focus on service excellence has seen a significant increase in our client satisfaction rating. We finished the year at +30, which combined with positive references from other NHS organisations helped us secure a number of new customer contracts and client renewals in 2018.

By investing in our client relationships at a regional and national level, we continue to gain a better understanding of their needs. This enables us to identify and introduce new products and services that help them solve some of the specific, every day challenges they face. For example, our new exit interview service facilitated by colleagues in Employment Services gives trusts valuable insight into why people are leaving their roles.

Additionally, we have concentrated our consultancy offer to support NHS organisations to reduce inefficiencies, improve their finances and achieve best practice. One of the highlights of 2018 was the rollout of a national pilot for VAT consultancy to all Clinical Commissioning Groups (CCGs) in England. Consultancy is earmarked for growth in 2019 under the leadership of a new Director of Consulting.

We welcomed over 200 employees to the business following the acquisition of the ASP. This takes our total number of employees to around 1,000. Our workforce remains one of our greatest assets.

The focus of the employee agenda this year has concentrated on continuing to make NHS Shared Business Services a Great Place to Work. The executive and senior management teams have worked closely with the Employment Engagement Network and U2 representatives, focusing on communications and engagement, training and development, and culture and ethics.

Having launched our corporate values earlier in the year, we were delighted with the number of people being rewarded through our recognition awards, for their individual contribution against these headings under a new reward and recognition programme.

Overall, the progress we have made in the past year has given us a firm foundation from which to drive the digital transformation and further modernisation of the NHS back- and middle-office. In 2019, we will continue to work hard to ensure that corporate services remain closely aligned to the Health Secretary's vision for a future technology-enabled NHS.



John Neilson
Chief Executive

NHS SHARED BUSINESS SERVICES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

INTRODUCTION

The Directors are pleased to present their strategic report for the year ended 31st December 2018.

PRINCIPAL ACTIVITIES

The Company is a joint venture between Sopra 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 front-line patient care.

The Company's business model is to provide Finance & Accounting, Employment Services and Procurement to NHS organisations.

BUSINESS REVIEW

This year we bolstered our position as one of the largest providers of business services to the NHS through the expansion of the client base. Five new customers signed up for our services and over 50 renewed their contracts or signed new agreements.

The strengthening of our market presence in the East of England, through the acquisition of the Anglia Support Partnership (ASP), has meant we have expanded our business into a fourth service line, IT services.

Over 130 different NHS providers and arm's length bodies across England now take one or more of our corporate back-office services. Every NHS commissioner in the country continues to transact through our Integrated Single Financial Environment (ISFE), the payment platform we manage on behalf of NHS England.

The current national contract is due to expire in 2021 (after being extended by NHS England in 2017); we will be bidding to continue to provide and improve this service.

Investing in our relationships with key customers is integral to our strategy. For example, we commenced a Foundation Client Programme with a pioneering strategic partnership with Royal Papworth Hospital NHS Foundation Trust. This collaboration will identify new opportunities to digitally transform back- and middle-office functions in the NHS.

Growing our market share coincides with continued investment into our infrastructure, systems and processes, plus the expansion of our products and services. The aim is to transform our offer to current and prospect clients.

Our Finance and Accounting line of business has seen unprecedented levels of customer satisfaction across all its different departments. This is largely a result of investments in the day-to-day operations and customer experience.

The introduction of Robotic Process Automation (RPA) is still in its early days, but nearly 20 robots are now carrying out otherwise mundane and time-consuming finance-related tasks to improve accuracy and speed. Many more are due to be operational in the coming year.

In Procurement, our framework portfolio has generated a record amount of revenue. Innovative new agreements, e.g. the NHS's first Robotics framework, have helped ensure ground-breaking products and services for the public sector in the most seamless, cost-effective way possible.

NHS SHARED BUSINESS SERVICES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Our team in Salford was the first to pioneer a dedicated consultancy product and team. Healthcare Improvement Solutions was launched successfully in the autumn and has won business across different parts of the NHS.

In Employment Services, the team has had some real successes. The biggest milestone was the launch of our first NHS mobile app – MySBSPay. Almost half a million people can access their payslips via the app and the remainder of the NHS workforce (whom we do not pay) can benefit from national discounts. Since its launch in August, 41,500 people have downloaded it.

Our adoption of cutting edge technology has accelerated. We have designed and developed solutions in partnership with our customers to help them run their operations more easily. For example, our Digital Cashier solution is being rolled out to the NHS to collect previously lost income and streamlining payment practices within the hospital environment. This was piloted with a number of clients, including University Hospital Southampton NHS Trust.

Our ambition to make services more accessible and easy to use led to the launch of our first mobile app. MySBSPay was developed in partnership with clinical and non-clinical staff at Chelsea and Westminster Hospital NHS Foundation Trust. Operationally it reduces the time NHS staff spend dealing with pay-related admin and cuts down calls to our call centre.

Our eMarketplaces continued to make steady progress. The PHBChoices platform is now used by 15 Clinical Commissioning Groups (CCGs) to provide Personal Health Budgets (PHBs). As the number of PHB holders across the country grows, more are expected to come on board.

We have launched a pilot of The Edge4Health (E4H), a retail-style NHS procurement platform, with Portsmouth Hospitals NHS Trust. On completion of the pilot, E4H will be rolled out to early adopters before the broader NHS later in 2019. Although this is later than initially anticipated, the sheer size and scale of the project has meant we have needed to be careful not to rush the product to launch.

Internally, we made significant progress in our automation programme. Our investment in RPA has led to the first of our 'robots' being built and deployed, carrying out previously manual and repetitive processes in areas like cash payments and foreign exchange rates.

All of these innovations form part of our three-year digital and technology strategy to support the long-term success and sustainability of our NHS partners. This ongoing multi-million pound investment is aimed at enabling ever faster and more consistent systems and processes, unprecedented analytical capability and a greatly improved user experience.

Key to this is having an ERP platform that can meet all of our current and future business requirements. The ultimate intention is to replace our current Oracle software and databases (currently externally hosted) with a modern cloud-based solution. The first phase gets underway in 2019 and involves a lift and shift of applications and databases onto new infrastructure. Concurrently, we will be making a decision about the next phase in the ERP solution in mid-2019.

A good measure of our progress has been the continued improvement in our Net Promoter Score (NPS), the tool used to gauge the loyalty of our customers. In 12 months, we achieved a ten point increase to reach +30. Our Finance and Accounting line of business, meanwhile, achieved its highest ever score of +11.

Our workforce provides an excellent service to our clients and will help us meet our ambitious plans for the future. Therefore we placed significant emphasis on employee development and satisfaction this year. Initiatives such as our Talent Development Programme and active U2 engagement group led to an increase in our annual Great Place to Work score, from 61% to 64% in 2018.

In summary, following a landmark year of transformational change across the business we have made substantial progress in 2018. We are in a strong position to deliver modern NHS corporate services, which will improve efficiency and quality, save time and money, and support world-class patient care.

NHS SHARED BUSINESS SERVICES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Internal Control

Strategic, financial, commercial, operational, social, environmental 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 the Company's business objectives. Therefore, the controls and associated assurance regime can only provide reasonable, not absolute, assurance against material misstatement or loss.

As part of our Quality Management Programme, the Company Quality Assurance Board (QA Board) met six times during 2018. The Board receives regular reports from across the business as part of its obligations to monitor and maintain robust controls covering a full range of Quality Management standards, including Information Governance, Risk Management (including Information Risk and Incident Reporting), Cyber Security and Business Continuity Management. The QA Board provides regular assurance reports via the Executive Management Team to the Company's Audit Committee and Board throughout the year.

Information Governance Assurance Framework

As part of our continual assurance with the NHS Information Governance Assurance Framework, the Company continues to be fully engaged with the NHS Information Governance Assessment (IG Toolkit – Version 15). In 2017/18, the Company achieved 100% compliance and continued to meet the 'Satisfactory' standard. The 2018/19 submission is in progress. The evidence provided for 2018/19 is expected to achieve the maximum Level 3 standard across all criteria.

Information Governance Statement of Compliance

As part of the service provision, the Company is required to maintain its IG Statement of Compliance as an enabler for the use of the NHS N3 network and related NHS Care Record Systems. Assessment against IG Compliance remains in progress, and is anticipated to meet compliance and will conclude in March 2019.

As part of the extended assurance for Operational Security best practice, the Company has implemented an ISO27001:2013 compliant Information Security Management System (ISMS). The ISMS has been certified for the whole of the Company including Employment Services in Southampton and Sheffield, Finance and Accounting in Leeds and Bristol and Procurement in Salford. The external assessment process was undertaken by external auditors DNV GL. Recertification for ISO 27001:2013 took place at the end of the year to ensure continuity of certification before the present certificate expires at the end of March 2019.

Risk Management

In 2018, the Company 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 and executive levels. Central reports of key strategic and operational risks are regularly reported to the Company's Audit Committee and Board accordingly.

In accordance with Department of Health and Social Care guidance on managing information risk within an organisation, the Company 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. All incidents are notified to the Senior Information Risk Owner (SIRO) and any reported Serious Incidents Requiring Investigation (SIRIs) require SIRO approval before closure can be achieved.

In 2018, twelve SIRIs were reported internally, with none scoring as reportable externally. This follows a refresh of our Incident Management Policy and Procedures accompanied by additional incident reporting training for NHS SBS staff.

NHS SHARED BUSINESS SERVICES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Training

The Company has established a positive training culture, regularly achieving high rates of training update and pass rates amongst employees, who receive comprehensive Information Governance training as enabled by the Central NHS Information Governance e-learning training modules provisioned by NHS Digital. The Company has integrated this resource as part of its core training requirements for all employees working within or on behalf of the Company.

All staff receive Information Governance and Security training at induction and additional topical training is provided to staff throughout the year, covering areas such as Records Management, Incident Recognition and Reporting, and Smart Card use.

As well as Anti-Money Laundering and Counter Fraud training, the Company also supports employees in a wide range of financial and non-financial professional training courses, including Risk Management, Accounting and Finance, Payroll and Project Management.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company manages risk across the organisation through a series of formal risk logs, which are maintained by the Company lines of business. Company senior management report material risk through the Company Audit Committee, via regular Committee meetings, and an Internal Risk and Controls report, which details each risk and the management activities designed to reduce the likelihood and severity of a risk occurring. Each risk is owned by an identified member of the Company executive team and the impact of the risk is assessed against the strategic objectives of the business.

The strategic risks that are reported and managed are:

- Implementing new technologies and commercial models to deliver new services;
- Meeting legislative changes;
- Increasing customer advocacy;
- Increasing employee satisfaction.

CREDIT RISK

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Each new customer is analysed individually for credit-worthiness before the payment and delivery terms and conditions are offered. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval.

A monthly review of the trade debtors' ageing analysis is undertaken and customers' credit is reassessed periodically.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "A" are accepted.

LIQUIDITY RISK

Liquidity risk arises from the Company's management of working capital and the finance charges and principal repayments on its debt instruments. There is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Board receives cash flow projections as well as information regarding cash balances ahead of Board meetings. At the end of the financial year, these projections indicated that the Company is expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances. The Company also seeks to reduce liquidity and interest rate risk by fixing interest rates (and hence cash flows) on its long-term borrowing.

NHS SHARED BUSINESS SERVICES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

FOREIGN EXCHANGE RISK

Foreign exchange risk arises when the Company enters into transactions denominated in a currency other than their functional one. The principal activities of the Company do not expose it to significant foreign exchange risk.

BREXIT

An internal assessment has been undertaken of the effect on the Company of the UK leaving the European Union. The Directors do not believe it presents any imminent threat to the provision of the Company's services. The service is expected to continue as normal for all of the Company's NHS clients and suppliers as there is little reliance on supplies or sales outside the UK.

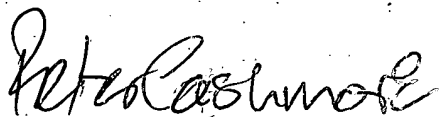
FINANCIAL KEY PERFORMANCE INDICATORS

	2018 £000	2017 £000	Change %
Turnover	76,170	77,248	(1.4)
Profit Before Tax	7,976	7,145	11.7

OTHER KEY PERFORMANCE INDICATORS

	2018	2017
Number of Service Contracts	200	228
Finance and Accounting Transaction Volumes	7,321,698	7,382,043
Net Promoter Score	+30	+20
Operating Profit Percentage	10.4%	9.3%

This report was approved by the board on *14 March 2019* and signed on its behalf.



P A Cashmore
Secretary

NHS SHARED BUSINESS SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors present their report and the financial statements for the year ended 31 December 2018.

DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

DIVIDENDS

During the year, the Board approved a dividend of £4 million to be paid in 2019 (2017: £nil).

DIRECTORS

The Directors who served during the year and since the year-end were:

D S Ahluwalia
D A Edmonds (Chairman)
J A S Jewitt
B M P Masterson
M J Thorman
J P Torrie

NHS SHARED BUSINESS SERVICES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

FUTURE DEVELOPMENTS

The Company's corporate strategy is concerned with designing, developing and delivering services that could benefit every NHS organisation in the country – now and in the future.

A key focus in 2019 will be growth, both in terms of client numbers and the range of products and services provided to the NHS. Through the Foundation Client Programme, the Company will explore new shared service opportunities in non-traditional BPO areas. These 'middle-office' functions plan to include areas like patient booking and transport.

The ongoing investment in developing new digital technologies and more modern ways of working will continue to drive efficiencies and improvements across NHS corporate services.

Specifically, the Company's digital strategy will consider how Cloud technology can be exploited to provide flexible, scalable and intuitive technology platforms. It will also lead to an expansion in the use of robotics and greater automation, to improve the speed and accuracy of internal and client processes.

Other areas that will be progressed in the year ahead include improved analytical capability relating to the vast amount of data the Company handles, and the creation of a modern end-to-end Digital User Experience.

EMPLOYEE INVOLVEMENT

The Company recognises that its talented workforce is a valuable asset and has a range of initiatives in place to ensure employees are well informed and involved in organisational matters.

An active employee representative group, known as U2, is made up of members who are elected by colleagues to represent their views and interests. Amongst many other activities, the group runs a bi-monthly 'temperature check' survey for employees to share feedback anonymously and suggest areas for improvement. It has led to a 'You Said, We Did' initiative and a range of positive changes being implemented across the business.

Alongside the efforts of U2 and the Employee Engagement Network (EEN) it leads, employees receive regular internal communications to keep them updated about the business. Over the course of 2018, a number of changes were implemented based on staff feedback around their preference for receiving Company updates and other employee information.

The professional development of individuals across the Company also continues to be a key area of focus. Training opportunities have been designed and developed so that all employees can benefit, regardless of where they sit within the business. These include a Talent Development Programme, which brings together employees from across the business into dedicated project teams working on specific aspects of the Company's corporate strategy, and the Inspirational Leadership Programme, which provides in-depth insight and the necessary tools and techniques to be a great leader.

As well as Anti-Money Laundering and Counter Fraud training, the Company also supports employees in a wide range of financial and non-financial professional training courses, including Risk Management, Accounting and Finance, Payroll and Project Management.

NHS SHARED BUSINESS SERVICES LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

EQUALITY AND DIVERSITY

Equal opportunities and diversity are promoted as part of employment with the Company. A dedicated policy outlines the commitment to a working environment that is free from discrimination and that values all employees as individuals. The Company employs people from all parts of the community regardless of age, gender, gender identity, marital status, disability, ethnicity, religious belief or orientation. For applicants who consider themselves to have a disability the Company ensures reasonable adjustments are made where required. In the event of employees becoming disabled whilst in employment, every effort is made to support them in continuing their employment.

DISCLOSURE OF INFORMATION TO AUDITOR

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

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

EVENTS AFTER THE REPORTING PERIOD

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

AUDITOR

The auditor, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on *14 March 2019* and signed on its behalf.



P A Cashmore
Secretary

NHS SHARED BUSINESS SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NHS SHARED BUSINESS SERVICES LIMITED

Opinion

We have audited the financial statements of NHS Shared Business Services Limited (the 'Company') for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

The impact of uncertainties due to Britain exiting the European Union on our audit

The Directors' view on the impact of Brexit is disclosed on page 8.

The terms on which the United Kingdom may withdraw from the European Union, currently due to occur on 29 March 2019, are not clear, and it is therefore not currently possible to evaluate all the potential implications to the Company's trade, customers, suppliers and the wider economy.

We considered the impact of Brexit on the Company as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the Company's future prospects and performance.

However, no audit should be expected to predict the unknowable factors or all possible implications for the Company and this is particularly the case in relation to Brexit.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

NHS SHARED BUSINESS SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NHS SHARED BUSINESS SERVICES LIMITED (CONTINUED)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 9, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

NHS SHARED BUSINESS SERVICES LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NHS SHARED BUSINESS SERVICES
LIMITED (CONTINUED)**

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit report

This report is made solely to the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.

Louis Burns

Louis Burns (Senior statutory auditor)

for and on behalf of

Mazars LLP

Chartered Accountants and Statutory Auditor

45 Church Street

Birmingham

B3 2RT

Date: *14 March 2019*

NHS SHARED BUSINESS SERVICES LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £000	As restated 2017 £000
Turnover	3	76,170	77,248
Administrative expenses		(68,250)	(67,890)
Exceptional administrative expenses	4	-	(2,200)
Other operating income	5	6	31
OPERATING PROFIT	6	7,926	7,189
Interest receivable and similar income	10	238	84
Interest payable and similar expenses	11	(91)	(57)
Other finance expenses	12	(97)	(71)
PROFIT BEFORE TAX		7,976	7,145
Tax on profit	13	(1,542)	(1,422)
PROFIT FOR THE FINANCIAL YEAR		6,434	5,723
OTHER COMPREHENSIVE INCOME:			
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS:			
Actuarial gain/(loss) on defined benefit schemes	25	751	(518)
Deferred tax (charge) / credit regarding pension contribution excess		(59)	211
Current tax regarding pension contribution excess		(69)	(123)
		623	(430)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		7,057	5,293

The notes on pages 19 to 47 form part of these financial statements.

NHS SHARED BUSINESS SERVICES LIMITED
REGISTERED NUMBER: 05280446

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

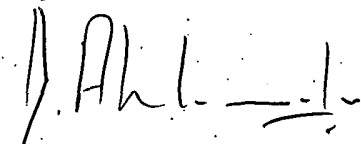
		2018	As restated
	Note	£000	2017 £000
FIXED ASSETS			
Goodwill	14	633	485
Other intangible assets	15	7,127	8,118
Tangible assets	16	1,225	1,392
Investments	17	1	1
		<u>8,986</u>	<u>9,996</u>
CURRENT ASSETS			
Debtors	18	13,565	14,617
Cash and cash equivalents		40,038	35,042
		<u>53,603</u>	<u>49,659</u>
Creditors: amounts falling due within one year	19	(11,082)	(12,912)
NET CURRENT ASSETS		<u>42,521</u>	<u>36,747</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>51,507</u>	<u>46,743</u>
Creditors: amounts falling due after more than one year	20	(847)	(1,248)
		<u>50,660</u>	<u>45,495</u>
PROVISIONS FOR LIABILITIES			
Provisions	22	(1,850)	(3,477)
		<u>(1,850)</u>	<u>(3,477)</u>
NET ASSETS EXCLUDING PENSION LIABILITY		<u>48,810</u>	<u>42,018</u>
Pension liabilities	25	(4,482)	(4,827)
NET ASSETS		<u><u>44,328</u></u>	<u><u>37,191</u></u>

NHS SHARED BUSINESS SERVICES LIMITED
REGISTERED NUMBER: 05280446

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2018

	Note	2018 £000	As restated 2017 £000
CAPITAL AND RESERVES			
Called up share capital	23	11	11
Share premium account		152	152
Retained earnings		44,165	37,028
Shareholders' funds		44,328	37,191

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



D S Ahluwalia
Director

14 March 2019

The notes on pages 19 to 47 form part of these financial statements.

NHS SHARED BUSINESS SERVICES LIMITED

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

	Called up share capital £000	Share premium account £000	Retained earnings £000	Total equity £000
At 1 January 2017 (as previously stated)	11	152	34,995	35,158
Change in accounting standards - IFRS 15	-	-	(3,309)	(3,309)
At 1 January 2017 (as restated)	11	152	31,686	31,849
COMPREHENSIVE INCOME FOR THE YEAR				
Profit for the year (as restated)	-	-	5,723	5,723
Actuarial losses on pension scheme	-	-	(518)	(518)
Current tax regarding pension contribution excess	-	-	(123)	(123)
Deferred tax regarding pension contribution excesss	-	-	211	211
OTHER COMPREHENSIVE INCOME FOR THE YEAR				
	-	-	(430)	(430)
Share-based payments	-	-	49	49
At 1 January 2018 (as previously stated)	11	152	38,883	39,046
Change in accounting standards - IFRS 15	-	-	(1,855)	(1,855)
At 1 January 2018 (as restated)	11	152	37,028	37,191
COMPREHENSIVE INCOME FOR THE YEAR				
Profit for the year	-	-	6,434	6,434
Actuarial gains on pension scheme	-	-	751	751
Current tax regarding pension contribution excess	-	-	(69)	(69)
Deferred tax regarding pension contribution excess	-	-	(59)	(59)
OTHER COMPREHENSIVE INCOME FOR THE YEAR				
	-	-	623	623
Share-based payments	-	-	80	80
AT 31 DECEMBER 2018	11	152	44,165	44,328

The notes on pages 19 to 47 form part of these financial statements.

NHS SHARED BUSINESS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The Company's functional and presentational currency is Pounds sterling and amounts are presented in round thousands (£000).

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 2).

The Company is exempt from preparing group accounts under s400 of the Companies Act 2006 as at 31 December 2018, its ultimate parent, Sopra Steria Group S.A., prepares and publishes consolidated accounts which include the results of the Company and are publicly available.

The following principal accounting policies have been applied:

1.2 Financial reporting standard 101 - reduced disclosure exemptions

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- certain comparative information as otherwise required by EU endorsed IFRS;
- certain disclosures regarding the Company's capital;
- certain disclosures regarding the Company's revenue;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with other wholly owned members of the group headed by Sopra Steria Group S.A.

In addition, and in accordance with FRS 101, further disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements of Sopra Steria Group S.A. These financial statements do not include certain disclosures in respect of:

- Share-based payments;
- Financial Instruments (other than certain disclosures required as a result of recording financial instruments at fair value);
- Fair value measurement (other than certain disclosures required as a result of recording financial instruments at fair value); and
- Impairment of assets.

The financial statements of Sopra Steria Group S.A can be obtained as described in note 29.

NHS SHARED BUSINESS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. ACCOUNTING POLICIES (CONTINUED)

1.3 Adoption of new and revised standards

The adoption of the following mentioned standards, amendments and interpretations in the current year has not had a material impact on the Company's financial statements:

	EU effective date, periods beginning on or after
Conceptual Framework for Financial Reporting 2018	1 March 2018
Amendments regarding the interaction of IFRS 4 and IFRS 9	1 January 2018
Annual Improvements 2014–2016 Cycle (clarifying certain fair value measurements)	1 January 2018
IFRS 9 Financial Instruments (IFRS 9)	1 January 2018

1.4 Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Strategic Report.

The Company has adequate financial resources together with long term contracts with a number of customers and suppliers across different geographic areas. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current loan facilities. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.5 Impact of new International Reporting Standards, Amendments and Interpretations

IFRS 15 Revenue from Contracts with Customers

From 1 January 2018, the Company has applied IFRS 15 retrospectively, using the following practical expedients:

- the Company has not restated completed contracts beginning and ending in the same year, or contracts completed by 1 January 2017.
- the Company has not retrospectively restated contracts where modifications took place before 31 December 2016. Instead, the Company has reflected the aggregate effect of all of the modifications that occurred before 31 December 2016 when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price to the satisfied and unsatisfied performance obligations.
- the Company has not disclosed the amount of the transaction price allocated to the remaining performance obligations nor detailed when it expects to recognise that amount as revenue.

IFRS 15 introduced a five-step approach to revenue recognition. The Company's accounting policies for its revenue stream are described in more detail in note 1.6.

NHS SHARED BUSINESS SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

1. ACCOUNTING POLICIES (CONTINUED)

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

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

Statement of Financial Position (extract)

	31 December 2017 As originally presented £000	IFRS 15 £000	31 December 2017 As restated £000
CURRENT ASSETS			
Inventories	48	(48)	-
Debtors	14,307	310	14,617
Creditors: amounts falling due within one year	(10,795)	(2,117)	(12,912)
TOTAL ASSETS LESS CURRENT LIABILITIES	48,598	(1,855)	46,743
NET ASSETS	39,046	(1,855)	37,191
CAPITAL AND RESERVES			
Retained earnings	38,883	(1,855)	37,028
	39,046	(1,855)	37,191

NHS SHARED BUSINESS SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

1. ACCOUNTING POLICIES (CONTINUED)

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

Statement of Comprehensive Income (extract)

	2017 As originally presented £000	IFRS 15 £000	2017 As restated £000
Turnover	73,859	3,389	77,248
	<u>73,859</u>	<u>3,389</u>	<u>77,248</u>
Administrative costs	(66,301)	(1,589)	(67,890)
OPERATING PROFIT	<u>5,389</u>	<u>1,800</u>	<u>7,189</u>
PROFIT BEFORE TAX	<u>5,345</u>	<u>1,800</u>	<u>7,145</u>
Tax on profit	(1,076)	(346)	(1,422)
PROFIT FOR THE FINANCIAL YEAR	<u><u>4,269</u></u>	<u><u>1,454</u></u>	<u><u>5,723</u></u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>3,839</u></u>	<u><u>1,454</u></u>	<u><u>5,293</u></u>

As explained in note 1.6, the adjustments relate to the treatment of migration income and the tax thereon, as well as the reclassification of work in progress to contract assets within debtors.

NHS SHARED BUSINESS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. ACCOUNTING POLICIES (CONTINUED)

1.6 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money. Typically, satisfaction of performance obligations matches invoice timing and payment, occurring on a monthly basis.

Where the Company enters into contracts that have delivery penalties such as service credits and milestone delay payments, at contract inception, the Company uses its accumulated historical experience to estimate the expected reduction in the transaction price for such refunds. This assessment is updated regularly once the contract has commenced with any subsequent remeasurement being treated as an adjustment to revenue.

Sale of goods

Revenue from the sale of goods is recognised on the satisfaction of performance obligations, such as the transfer of a promised good, identified in the contract between the Company and the customer.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Rendering of services

Revenue from providing services is recognised in the accounting period in which the services are rendered.

For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

Where contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. For service contracts including a goods element, revenue for the separate good is recognised at a point in time when the good is delivered, the legal title has passed and the customer has accepted the good.

Typically when the Company wins new business, migration work is performed to transfer the customer onto Company systems and processes. In previous year, such migration work was deemed separable and revenue was taken as work progressed. Under IFRS 15, migration work is not considered a distinct performance obligation, hence the associated income is spread over the expected contract period, with costs deferred where they meet the definition of costs to fulfil a contract. The effect of these changes is shown in note 1.5.

NHS SHARED BUSINESS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. ACCOUNTING POLICIES (CONTINUED)

1.7 Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

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

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

The estimated useful lives range as follows:

Software development	-	10	years
Contracts	-	10	years

1.8 Goodwill

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued.

When a business combination agreement provides for an adjustment to the cost of the combination which is contingent on future events, the company includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably. However, if the potential adjustment is not recognised at the acquisition date but subsequently becomes probable and can be measured reliably, the additional consideration shall be treated as an adjustment to the cost of the combination. Changes in the estimated value of contingent consideration arising on business combinations completed as a consequence result in a change in the carrying value of the related goodwill.

Goodwill is capitalised as an intangible asset and is not amortised. Instead it is reviewed annually for impairment with any impairment in carrying value being charged to profit or loss. The Companies Act 2006 requires acquired goodwill to be reduced by provisions for depreciation calculated to write off the amount systematically over a period chosen by the Directors, not exceeding its useful economic life. It has been deemed that the non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view. The effect of this departure has been quantified as an increase to profits of £59 thousand (2017: £57 thousand) and an increase to equity of £242 thousand (2017: £183 thousand).

1.9 Tangible fixed assets

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

NHS SHARED BUSINESS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. ACCOUNTING POLICIES (CONTINUED)

1.9 Tangible fixed assets (continued)

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

Depreciation is provided on the following basis:

Long-term leasehold property	-	20%
Fixtures and fittings	-	20% Or matched to length of property lease
Computer equipment	-	20% to 33%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

1.10 Valuation of Investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

1.11 Stocks and Work in Progress

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a historical cost basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

1.12 Cash and Cash Equivalents

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

1.13 Financial Instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The Company classifies all of its financial assets as loans and receivables.

NHS SHARED BUSINESS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. ACCOUNTING POLICIES (CONTINUED)

1.13 Financial Instruments (continued)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms of the contract, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of Comprehensive Income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial assets are initially measured at fair value and are subsequently measured at either fair value or amortised cost, depending on the classification of the financial assets.

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

Financial liabilities

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

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

NHS SHARED BUSINESS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. ACCOUNTING POLICIES (CONTINUED)

1.14 Foreign Currency Translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

1.15 Finance Costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.16 Operating leases

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

NHS SHARED BUSINESS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. ACCOUNTING POLICIES (CONTINUED)

1.17 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

Defined benefit pension plan

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

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

The defined benefit obligation is calculated using the projected unit credit method. Annually the Company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 101 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

1.18 Interest Income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

NHS SHARED BUSINESS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. ACCOUNTING POLICIES (CONTINUED)

1.19 Provisions for Liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

1.20 Current and deferred taxation

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

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

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

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

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

1.21 Exceptional Items

Exceptional items are material non recurring transactions, either because of their size or their nature, that fall within the ordinary activities of the Company. They are presented separately because the Directors believe that this presentation provides a more helpful analysis of underlying performance as it highlights one off items.

NHS SHARED BUSINESS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Defined benefit pensions plan

The valuation of a defined benefit pension plan requires management to exercise its judgement when calculating the most appropriate assumptions upon which to base the valuation, especially the discount rate. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation. Additional information is disclosed in note 25.

Intangible assets

The development of intangible assets involves some uncertainty around the future economic benefits being derived from the asset, but this is managed through supervision of projects, review of projections and control of costs.

The useful economic lives of intangible assets are selected by the Directors based on the period the assets are expected to be in use. The useful economic lives of intangible assets are then reviewed each period and amortisation adjusted in line with any changes. The carrying values of intangible assets are shown in note 15.

Aged Debtors

The Directors consider there to be no material recoverability issues on outstanding invoices, but there is inevitably some uncertainty in this area. In making this assessment, the Directors take into consideration (i) any circumstances of which they are aware regarding a customer's inability to meet its financial obligations and (ii) judgements as to potential prevailing economic conditions and their potential impact on the Company's customers. No significant bad debts have occurred during the past three years.

Provisions

There is some uncertainty surrounding the amount required to settle obligations. The Directors use their judgement and, where necessary, professional advice to estimate the likely outcome.

NHS SHARED BUSINESS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

3. TURNOVER

The whole of the turnover is attributable to business process outsourcing and arose within the United Kingdom.

Revenue is recognised over time, based on the output method. The outputs are typically monthly support performance or transaction volumes which faithfully depict the substance of the customer contract.

4. EXCEPTIONAL ITEMS

	2018 £000	2017 £000
Exceptional item - increase to provision	-	2,200
	-	2,200

The exceptional item represented an increase in provision regarding a one-off cost relating to the now expired Primary Care Services contract. (See note 22).

5. OTHER OPERATING INCOME

	2018 £000	2017 £000
Net rents receivable	6	31
	6	31

6. OPERATING PROFIT

The operating profit is stated after charging:

	2018 £000	2017 £000
Depreciation of tangible fixed assets	699	878
Amortisation of intangible assets	2,310	2,054
Exchange differences	1	-
Operating lease rentals: Land and buildings	1,909	1,248

NHS SHARED BUSINESS SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

7. AUDITOR'S REMUNERATION

The Company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

	2018 £000	2017 £000
Fees for the audit of the Company	70	68

8. EMPLOYEES

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

	2018 £000	<i>As restated</i> 2017 £000
Wages and salaries	24,757	25,629
Social security costs	2,466	2,321
Pension costs (Defined Benefit)	2,312	2,610
Pension Costs (Defined Contribution)	1,430	1,132
	30,965	31,692

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

	2018 No.	2017 No.
Operations	730	732
Administration	95	69
Management	11	10
	836	811

NHS SHARED BUSINESS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

9. DIRECTORS' REMUNERATION

	2018 £000	2017 £000
Directors' emoluments	92	92
	<u>92</u>	<u>92</u>

During the year retirement benefits were accruing to no Directors (2017: nil) in respect of defined contribution pension schemes.

D S Ahluwalia and J P Torrie are also directors of other Sopra Steria Group companies in the United Kingdom. The Directors do not believe that it is practicable to apportion their remuneration between their services as Directors of the Company and their services as Directors of other Sopra Steria Group companies. Their remuneration is disclosed in the accounts of Sopra Steria Limited.

10. INTEREST RECEIVABLE AND SIMILAR INCOME

	2018 £000	2017 £000
Bank interest receivable	238	84
	<u>238</u>	<u>84</u>

11. INTEREST PAYABLE AND EXPENSES

	2018 £000	2017 £000
Bank interest payable	52	52
Other interest payable	39	5
	<u>91</u>	<u>57</u>

NHS SHARED BUSINESS SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

12. OTHER FINANCE EXPENSES

	2018 £000	<i>2017 £000</i>
Interest income on pension scheme assets	1,048	989
Interest on defined benefit obligation	(1,145)	(1,060)
	(97)	(71)

13. TAXATION

	2018 £000	<i>As restated 2017 £000</i>
CORPORATION TAX		
Current tax on profits for the year	1,702	1,446
Adjustments in respect of previous periods	(227)	(42)
TOTAL CURRENT TAX	1,475	1,404
DEFERRED TAX		
Deferred tax - current year	(152)	(24)
Deferred tax - prior year	219	42
TOTAL DEFERRED TAX	67	18
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	1,542	1,422

NHS SHARED BUSINESS SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

13. TAXATION (CONTINUED)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher than (2017: *higher than*) the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%). The differences are explained below:

	2018 £000	As restated 2017 £000
Profit on ordinary activities before tax	<u>7,976</u>	<u>7,145</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	1,515	1,375
EFFECTS OF:		
Expenses not deductible for tax purposes	36	36
SIP share deductions	(18)	(18)
Share-based payments	15	9
Other share deductions	(25)	-
Rate differences regarding deferred tax	27	20
Adjustments to tax charge in respect of prior periods	(8)	-
TOTAL TAX CHARGE FOR THE YEAR	<u>1,542</u>	<u>1,422</u>

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The Finance Act 2016 provides that the main rate of corporation tax will fall to 17% with effect from 1 April 2020. As this legislation had been substantively enacted at the end of the reporting period, the impact of this tax rate reduction on the deferred tax balances carried forward has been included in these accounts.

NHS SHARED BUSINESS SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

14. GOODWILL

	2018 £000
COST	
At 1 January 2018	568
Additions	148
AT 31 DECEMBER 2018	716
AMORTISATION	
At 1 January 2018	83
AT 31 DECEMBER 2018	83
NET BOOK VALUE	
AT 31 DECEMBER 2018	633
<i>At 31 December 2017</i>	485

NHS SHARED BUSINESS SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

15. OTHER INTANGIBLE ASSETS

	Software development £000	Contracts £000	Total £000
COST			
At 1 January 2018	34,299	975	35,274
Additions - internal	2,020	-	2,020
Disposals	(986)	-	(986)
At 31 December 2018	<u>35,333</u>	<u>975</u>	<u>36,308</u>
AMORTISATION			
At 1 January 2018	26,904	252	27,156
Charge for the year	2,213	97	2,310
On disposals	(285)	-	(285)
At 31 December 2018	<u>28,832</u>	<u>349</u>	<u>29,181</u>
NET BOOK VALUE			
At 31 December 2018	<u>6,501</u>	<u>626</u>	<u>7,127</u>
At 31 December 2017	<u>7,395</u>	<u>723</u>	<u>8,118</u>

Included under Software development are assets in development, for which amortisation will not be charged until the asset completion date. The value of assets in development as at 31 December 2018 is £1,960 thousand (2017: £3,066 thousand).

NHS SHARED BUSINESS SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

16. TANGIBLE FIXED ASSETS

	Leasehold buildings £000	Fixtures and fittings £000	Computer equipment £000	Total £000
COST				
At 1 January 2018	239	893	3,417	4,549
Additions	11	-	521	532
Disposals	(58)	(293)	(1,035)	(1,386)
At 31 December 2018	192	600	2,903	3,695
DEPRECIATION				
At 1 January 2018	130	589	2,438	3,157
Charge for the year on owned assets	49	162	488	699
Disposals	(58)	(293)	(1,035)	(1,386)
At 31 December 2018	121	458	1,891	2,470
NET BOOK VALUE				
At 31 December 2018	71	142	1,012	1,225
At 31 December 2017	109	304	979	1,392

17. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £000
COST	
At 1 January 2018	1
At 31 December 2018	1
NET BOOK VALUE	
At 31 December 2018	1
At 31 December 2017	1

NHS SHARED BUSINESS SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

18. DEBTORS

	2018	<i>As restated</i>
	£000	2017
		£000
DUE AFTER MORE THAN ONE YEAR		
Deferred tax asset	1,355	1,485
	1,355	1,485
DUE WITHIN ONE YEAR		
Trade receivables	5,866	6,425
Amounts owed by group undertakings	78	107
Other debtors	1,147	1,618
Prepayments and accrued income	4,580	4,672
Contract assets - current	42	48
Tax recoverable	281	262
Amounts recoverable on long-term contracts	216	-
	13,565	14,617

19. CREDITORS: Amounts falling due within one year

	2018	<i>As restated</i>
	£000	2017
		£000
Bank overdrafts	214	-
Loans from related parties	573	828
Trade creditors	197	2,475
Amounts owed to group undertakings	1,214	1,278
Other taxation and social security	1,084	1,214
Other creditors	1,144	322
Accruals and deferred income	6,656	6,795
	11,082	12,912

The loan of £573 thousand from a related party will be repaid by 31 December 2019 and is non-interest bearing.

NHS SHARED BUSINESS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

	2018 £000	2017 £000
Loans from related parties	847	1,248
	<u>847</u>	<u>1,248</u>

The loan from a related party is repayable in full by 30 April 2023 and is non-interest bearing. Repayments are based on service billing receipts from customers who have financing agreements with the Company.

21. DEFERRED TAXATION

	Accelerated capital allowances £000	Short-term timing differences £000	Pension deficit £000	Total £000
Deferred tax asset				
As at 1 January 2017	624	46	622	1,292
(Charged) / credited to profit or loss	16	(22)	123	117
Charged to Other Comprehensive Income	-	-	211	211
Reclassified to current tax	-	-	(123)	(123)
Other adjustments	-	-	(12)	(12)
As at 31 December 2017	<u>640</u>	<u>24</u>	<u>821</u>	<u>1,485</u>

	Accelerated capital allowances £000	Short-term timing differences £000	Pension deficit £000	Total £000
Deferred tax asset				
As at 1 January 2018	640	24	821	1,485
(Charged) / credited to profit or loss	166	(237)	69	(2)
Charged to Other Comprehensive Income	-	-	(59)	(59)
Reclassified to current tax	-	-	(69)	(69)
As at 31 December 2018	<u>806</u>	<u>(213)</u>	<u>762</u>	<u>1,355</u>

NHS SHARED BUSINESS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

22. PROVISIONS

	Losses on contracts £000	Other provisions £000	Dilapidation provision £000	Total £000
At 1 January 2018	-	2,539	938	3,477
Charged to profit or loss	-	-	80	80
Interest unwind	-	-	39	39
Arising on purchase of contracts	815	-	-	815
Utilised in year	(61)	(2,500)	-	(2,561)
AT 31 DECEMBER 2018	754	39	1,057	1,850

The losses on contracts relate to trade purchased from a third party. It is anticipated that these contracts will end in March 2020.

The dilapidation provision covers the estimated costs of returning leasehold property to its original state at the expiration of the lease. It is anticipated that this provision will be used over the period up to 2022.

The other provision related mainly to an agreement signed in 2017 stating the Company would compensate NHS England for costs incurred reviewing and processing clinical correspondence documents managed as part of Primary Care Services contract that exited in 2016.

23. SHARE CAPITAL

	2018 £000	2017 £000
12,000 (2017: 12,000) Ordinary shares of £1 each	12	12
Allotted, called up and fully paid		
11,001 (2017: 11,001) Ordinary shares of £1 each	11	11

24. CAPITAL COMMITMENTS

At 31 December 2018 the Company had capital commitments as follows:

	2018 £000	2017 £000
Contracted for but not provided in these financial statements.	913	657
	913	657

NHS SHARED BUSINESS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

25. PENSION COMMITMENTS

Defined Contribution Pension Scheme

The Company makes contributions to a defined contribution scheme operated by the Sopra Steria Group in the UK. The scheme is called the Sopra Steria Group Personal Pension Plan and is open to all employees who are not active members of the Federated Pension Plan.

As at 31 December 2018, the amount outstanding in respect of the Company's contribution to the scheme was £155,861 (2017: £94,064). The contributions made in respect of the year ended 31 December 2018 totalled £1,429,548 (2017: £1,132,205).

Defined Benefit Pension Scheme

The Federated Pension Plan is an approved, funded defined benefit pension plan. The assets of the plan are held separately from the Company in trustee-administered funds. The pension costs of the plan are charged to the Statement of Comprehensive Income as described in note 1.17. These costs are determined by qualified actuaries on the basis of formal valuations using the projected unit method.

In a defined benefit plan, the risks of meeting the pension obligations are retained by the Company. The last full valuation was at April 2016 which showed assets of £31,270,000 representing 90% of the plan's obligations. On the basis of that valuation, the contributions schedule previously agreed with the trustees involving monthly deficit repair contributions of £16,583 was agreed to be continued.

As at 31 December 2018 the amount outstanding in respect of the Company's contribution to the defined benefit scheme was £159,472 (2017: £168,735). The contributions made in respect of the year ended 31 December 2018 totalled £2,002,000 (2017: £1,962,000).

Composition of plan liabilities:

	2018 £000	2017 £000
Active	28,554	28,189
Vested deferred	10,240	10,920
Retired	5,535	6,046
TOTAL PLAN LIABILITIES	44,329	45,155

Composition of plan assets:

	2018 £000	2017 £000
Equities	26,376	26,749
Government bonds	13,189	13,374
Cash	281	205
TOTAL PLAN ASSETS	39,846	40,328

NHS SHARED BUSINESS SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

25. PENSION COMMITMENTS (CONTINUED)

	2018 £000	2017 £000
Fair value of plan assets	39,846	40,328
Present value of plan liabilities	(44,329)	(45,155)
NET PENSION SCHEME LIABILITY	(4,483)	(4,827)

The amounts recognised in profit or loss are as follows:

	2018 £000	2017 £000
Current service cost	(2,311)	(2,610)
Interest on obligation	(1,145)	(1,060)
Interest income on plan assets	1,048	989
Past service cost	(1)	-
Defined benefit cost included in Statement of Comprehensive Income	(2,409)	(2,681)
Return on plan assets excluding interest income	2,645	(1,641)
Effect of changes in financial assumptions	(3,659)	480
Effect of experience adjustments	360	2,281
Effect of changes in demographic assumptions	(272)	(761)
Administrative expenses paid from plan assets	175	159
Total remeasurements included in Other Comprehensive Income	751	(518)

Reconciliation of fair value of plan obligations were as follows:

	2018 £000	2017 £000
Opening defined benefit obligation	(45,155)	(39,962)
Current service cost	(2,311)	(2,612)
Interest on obligation	(1,145)	(1,060)
Past service cost	(1)	-
Effect of changes in financial assumptions	3,659	(480)
Effect of experience adjustments	(360)	(2,281)
Effect of changes in demographic assumptions	272	761
Benefits payments from plan assets	712	479
CLOSING DEFINED BENEFIT OBLIGATION	(44,329)	(45,155)

NHS SHARED BUSINESS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

25. PENSION COMMITMENTS (CONTINUED)

Reconciliation of fair value of plan assets were as follows:

	2018 £000	2017 £000
Opening fair value of scheme assets	40,328	36,374
Interest income on plan assets	1,048	989
Contributions by employer	2,002	1,962
Return on plan assets excluding interest income	(2,645)	1,641
Administrative expenses paid from plan assets	(175)	(159)
Benefit payments from plan assets	(712)	(479)
	39,846	40,328

The expects to contribute £2 million to its Defined Benefit Pension Scheme in 2019.

Principal actuarial assumptions at the Statement of Financial Position date (expressed as weighted averages):

	2018 %	2017 %
Discount rate	2.89	2.55
Future salary increases	3.15	3.11
RPI price inflation rate	3.15	3.11
Pensions-in-payment increase rate	2.18	2.15
Mortality rates: Assumed life expectancy on retirement at age 65		
- for a male aged 65 now	22.0 years	22.1 years
- at 65 for a male aged 45 now	23.4 years	23.5 years
- for a female aged 65 now	23.9 years	24.0 years
- at 65 for a female member aged 45 now	25.4 years	25.5 years

The mortality assumption is based on the S2P generational base tables (2017: S2P tables) with scaling of 100% for males (2017: 100%) and 100% for females (2017: 100%). Future improvements to life expectancy are based on the CMI 2017 projection model (2017: CMI 2016 model) with a 1.25% long-term improvement rate (2017: 1.25%).

The estimated weighted average duration of the defined benefit obligation is 24.1 years (2017: 25.7 years).

NHS SHARED BUSINESS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

25. PENSION COMMITMENTS (CONTINUED)

The assumptions used by the actuary are best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice. The below tables show how the defined benefit obligation would be affected by reasonably likely changes in the assumptions, ignoring the relationship between variables.

	0.25% percentage point increase	0.25% percentage point decrease
Discount rate: Effect on defined benefit obligation: (Reduction) / increase	(2,760)	2,984
Inflation rate: Effect on defined benefit obligation: Increase / (reduction)	2,790	(2,606)

26. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £000	2017 £000
Land and buildings		
Not later than 1 year	1,551	1,306
Later than 1 year and not later than 5 years	3,699	3,269
Later than 5 years	694	-
Total land and buildings	5,944	4,575
Equipment		
Not later than 1 year	305	405
Later than 1 year and not later than 5 years	365	942
Later than 5 years	-	2
Total equipment	670	1,349

NHS SHARED BUSINESS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

27. RELATED PARTY TRANSACTIONS

During the year the Company entered into transactions, in the ordinary course of business, with related parties. Transactions entered into, and trading balances outstanding as at 31 December are detailed below:

	Sales to £000	Purchases from £000	Amounts owing by £000	Amounts owing to £000
Department of Health	1,596	28	153	1,421
Royal Marsden NHS Foundation Trust	774	-	-	3
Sopra Steria Limited	409	13,771	78	1,214
NHS Property Services	582	-	55	-
	<u>3,361</u>	<u>13,799</u>	<u>286</u>	<u>2,638</u>

The comparative figures for the year ended 31 December 2017 were:

	Sales to £000	Purchases from £000	Amounts owing by £000	Amounts owing to £000
Department of Health	1,526	34	71	2,092
Royal Marsden NHS Foundation Trust	763	-	7	-
Sopra Steria Limited	683	16,555	29	1,278
NHS Property Services	1,403	-	303	-
	<u>4,375</u>	<u>16,589</u>	<u>410</u>	<u>3,370</u>

M J Thorman is a Director of the Company. He is also Chief Financial Officer of an existing client, The Royal Marsden NHS Foundation Trust, resulting in them being a related party.

During 2017, B M P Masterson was appointed as a Director of the Company. He was also appointed as Director of NHS Property Services resulting in them becoming a related party.

NHS SHARED BUSINESS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

28. SHARE-BASED PAYMENTS

The Company's share-based payment plans are described in the paragraphs below and are awarded in Sopra Steria Group S.A shares. Shares granted under these plans usually have a vesting period of 3 years.

(a) Steria Matching and Partnership Shares (SIP)

The current SIP was introduced in March 2016. For the year ended 31 December 2018, the Company set a matching level of one matching share for every one partnership shares purchased.

(b) Steria Leverage Scheme

The Leverage scheme offers all employees the opportunity to benefit from the growth in the Sopra Steria S.A. share price over a 5-year period. Shares are purchased up front at a discounted price. At the end of the 5-year period the employees receive the higher of a multiple of the average price increase over the non-discounted price or a percentage per annum on their investment.

(c) Steria Free Shares

Certain employees of the Company are offered free performance shares. The key features of the free performance share schemes are as follows:

- Participation is at the approval of the General Manager
- All unvested awards have performance conditions
- In order to receive free performance shares the participant must remain an employee or retiree of the Company for a minimum of three years.

29. CONTROLLING PARTY

The Company's immediate holding company is Sopra Steria Limited, a company registered in England and Wales.

The Company's ultimate holding company at the end of the reporting period is Sopra Steria Group S.A., a company registered in France. Sopra Steria Group S.A. has included the Company and its immediate holding company in its group accounts, copies of which may be obtained from Sopra Steria Group S.A., PAE les Glaisins, 74940 Annecy-le-Vieux, France. They are also available on the Sopra Steria Group website at www.soprasteria.com.

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