

TAKING STOCK MOVING FORWARD

Annual Report and Financial Statements

2013 / 2014

CONTENTS

Chairman's Statement	4
Strategic Report	6
Directors' Report	12
Annual Governance Statement 2013/14	18
Remuneration Report for the Year Ended 31 March 2014	26
Salary and Pension Entitlements of the Board and Senior Management	28
Independent Auditor's Report to the Shareholders of UK Shared Business Services Ltd	32
Statement of Comprehensive Income for the Year Ended 31 March 2014	34
Statement of Financial Position as at 31 March 2014	35
Statement of Cash Flows for the Year Ended 31 March 2014	36
Statement of Changes in Equity	37
Notes to the Financial Statements for the Year Ended 31 March 2014	38
1. Accounting Policies	38
2. Revenue, Cost of Sales, Administrative Expenses and Auditor's Remuneration	41
3. Employees and Directors	42
4. Net Finance Income	42
5. Loss before Income Tax	43
6. Income Tax	43
7. Assets	44
8. Trade and Other Receivables	45
9. Cash and Cash Equivalents	45
10. Trade and Other Payables	46
11. Provisions and Contingent Liabilities	46
12. Leasing Agreements	46
13. Financial Instruments and Capital Risk Management	47
14. Called Up Share Capital	48
15. Employee Benefit Obligations	49
16. Related Parties	50
17. Reconciliation of Loss Before Income Tax to Cash Generated From Operations	51

CHAIRMAN'S STATEMENT

The mission of UK SBS is to make as big an impact as possible on the cost, quality, and efficiency of public services by providing outstanding shared business services to our customers/owners. We are a public sector mutual business that aims to deliver both commercial effectiveness and public values. In 2013/14 we had a turnover of £57m, and we employed over 860 staff delivering a wide range of transactional, property, procurement and other services to our 10 owners, representing 25 distinct clients.

The Directors' Report and Strategic Review

set out the detail of our work. This Statement gives the overview.

The year to March 2014 was a good one for the company. In **financial** terms we met our budget, reducing the costs to customers and generating major savings for customers through our procurement and property services. In terms of **operations**, we successfully completed the transition of the Department for Business,

Innovation and Skills (BIS) services to UK SBS, and we provided some new services to existing customers. We also improved service delivery in a number of important areas. In terms of **business development** we extended our procurement service significantly to manage two major procurement categories across the whole of the public sector, and we developed property and asset management as a new line of business.

During the year, we also strengthened **governance and control**. The new Customer Governance Forums developed well, and we held the first two of what will be regular six monthly Owner/Customer Summits – one to help determine the Business Plan for the period ahead, and one to hold us to account against it. Our sponsor arrangements with BIS developed well. We also strengthened the control environment, including tackling a number of outstanding issues in information security. We strengthened our Board with new appointments, and we both refined our top team and increased its capability.

So, overall it was a very positive year. But there were also significant service challenges, and in consequence we placed service improvement at the heart of the new Business Plan, which was approved by our owners in March 2014. We still have a measured ambition to grow and develop, but only against that core priority.

Major challenges lie ahead. In particular, BIS had to pass on to the company a fair share of the Department's tough financial settlement for 2014/15. To deal with the funding reduction we are reducing employee headcount by around 15%, and cutting non-staff costs significantly. Fundamentally, the business is in good shape, and has established strong foundations. But it will need all its resilience, innovation and strength to meet the new budget limits successfully without damaging service provision.

At the same time, interest in the Company and our services is growing across government and externally. Most significantly, we now have a Memorandum Of Understanding (MOU) with another government department, which should lead to their participation in the Company in due course.

Beyond that, major changes will affect both our business delivery model and our governance model. First, in 2015 we are due to transfer much of our transactional services to an outsourced provider as part of the wider Government Next Generation Shared Services (NGSS) strategy, and this means that we must revise our business delivery model to take account of this change. Secondly, the new European Procurement Directive has now created a clear statutory framework within which our governance model of 'public-to-public' co-operation will operate, and here too we need to revise our approach. Clearly, the business and governance models need to be fully aligned, and we have begun the work to create a revised 'overall operating model' to do that.

That new model should enable the Company to continue to extend its activities and its impact as an effective instrument of government in tackling cost reduction and service improvement and change.

We have the foundations and the capability to make a visible contribution to public sector shared services. That has been possible only through great effort and team work. I thank all of the Company's staff for their hard work and commitment, and also our clients and customers for their participation in the Company's affairs, and for the challenge they rightly give us to do better. I also thank both my Board colleagues and the Executive Management Team for their leadership of the Company and their collegiate approach.



Dr Clive Grace O.B.E.
Chair
September 2014



“*Fundamentally, the business is in good shape, and has established strong foundations. But it will need all its resilience, innovation and strength to meet the new budget limits successfully without damaging service provision.***”**

STRATEGIC REPORT

Summary

The change to UK Shared Business Services Ltd (UK SBS) from RCUK Shared Services Centre Ltd has brought a new dimension to the Company operations and strategic objectives by developing into a multi-client, multi-service shared business services company. Over the past year, the Company has seen a broadening range of business services in addition to transaction processing, to a variety of new customers.

Our mission is to provide efficient, effective and economic business services within the public sector. Through this, we enable our customers to focus more on their core activities by providing quality shared business services and thereby the freedom to innovate and transform their own organisations. Our overall objective is to optimise our impact as a valued partner to UK public service.

UK SBS operates as a public sector mutual and is wholly owned by the public sector. The current ownership proportion is Government Departments 51% and Non-Government Departments 49%. The model has been developed to dilute as and when new customers are brought into the services of the Company.

The Business Plan for 2013/14 was ambitious and the challenges were significant. They included growing our customer base; delivering £80m procurement savings; establishing a Property Asset Management function; delivering a new system platform and service for Core BIS, the Intellectual Property Office and the Insolvency Service, and embedding a continuous improvement approach to services.

The Company continues to develop and mature its business model to underpin ongoing improvement and developments in our service delivery, further details of which are contained within the main Strategic Report.

The principal risks and uncertainty facing the Company are driven by the environment in which the Company operates. They include the continued pressure on administrative budgets that contribute to government public service efficiencies while delivering improving services; managing the transfer of some transactional activity to a delivery partner, Shared Services Connected Limited (SSCL), with minimal impact to customers and our people; and readiness for any machinery of government changes that may come in advance of, or as a result of, political changes. The Company also needs to prepare for a forthcoming change in the framework of European Law, which has some considerations for the Company. These uncertainties provide both challenge and opportunity. Company risks are documented in the Annual Governance Statement later in the Annual Report.

The results for the year are dealt with on page 34 of the financial statements. UK SBS does not operate to make a profit and aims to recover full costs, however the Company recorded a small surplus before depreciation of £51k (2012/13 £143k) on a turnover of £57.3m (2012/13 £55.2m). The recorded loss for the year was £9.1m (2012/13 £11.9m) after including £9.1 million cost of depreciation and amortisation. The Company seeks to set service charges such that it breaks even before depreciation and amortisation.

The net assets total as at 31 March 2014 was £27.4m (2012/13 £36.4m) as provided on page 35 of the financial statements. The Company has retained losses that approximately equal the depreciation and amortisation that has been charged to date.

Strategic highlights

UK SBS has developed and grown significantly over the past twelve months. Among our achievements, we grew our turnover, and helped customers get more with their procurement budget. The coming year will see us deliver improved and more efficient services, moving closer to our goal of being the UK public sector's leading provider of shared services.

2013/14 at a glance – progress on key objectives:

- Turnover grew from £55 million to £57 million.
- Increased client base from 22 to 25, which has sustained our Oracle system customer user base at around 15,000 end users, despite some of the Research Councils reducing in size.
- Delivered to budget.
- Reduced the Research Councils' 'back office' charges from £31 million to £27 million.
- Settled partnership arrangements with the Cabinet Office and SSCL, for taking volume transaction services from SSCL in 2015.



Procurement:

- Saved £80 million in verified procurement benefits.
- Implemented two pan-government procurement categories under a Memorandum of Understanding with the Crown Commercial Service (CCS).



Transition:

- Delivered the BIS phase one transitions successfully.
- Developed a stable platform of Oracle 12.1.3.



Property Asset Management:

- Established Property Asset Management (PAM) as a new business line, which is already on track to save customers over £100 million.



Direct ICT services:

- Maintained infrastructure availability at 100% throughout the year.
- Achieved a positive customer feedback score of 7.4/10.



HR and Payroll:

- Extended existing service to approximately 7,000 new Oracle based customers.



Finance:

- Expedited supplier set up and payments.
- Reduced invoices on hold.
- Received a 'substantial assurance' rating from auditors.



Grants:

- Customer surveys indicated a good level of satisfaction.
- Received over 180,000 applications.
- Supporting Cabinet Office project by developing best practice for grant giving organisations.

Maturing our Business:

The founding principle of the Company: to operate on behalf of the public sector to deliver savings and benefits, continues to be of utmost importance. The beginning of the 2013/14 financial year saw the Company implement its new name and a new governance structure. This helps UK SBS to achieve that founding mission and complement the Government agenda.

As Government continues to seek efficiencies, the focus on the opportunities sharing services can provide remains strong. For example, both the Dalton Phillips review: "Review of Administrative Efficiencies" and Dodds Report highlight the continuing central role of shared business services in BIS and its partner organisation's plans for the next four to five years.

STRATEGIC REPORT

Business model:

UK SBS is a mutual service provider, owned and controlled by its clients. We charge our clients the full cost to serve, including in-year investment needs and no more.

All clients participate in the Company's client governance arrangements, and if they are themselves separate legal entities and it is appropriate to do so, they also share in the ownership and direction of the Company.

The UK SBS model is innovative in the public sector. It is a mutual model that can be developed to meet the particular needs and challenges of public service organisations while retaining a clear commercial, innovative and customer focused culture and delivery.

Delivering new service:

New services developed in the year also reflect the adjustment in the Company's business model as UK SBS provides more specialist advice and services. Our new Property Asset Management service has been working with BIS to rationalise the property portfolio it holds and deliver ongoing savings and benefits as a result. The service is up and running with innovative approaches at its heart. For example, work with BIS employed three different approaches; co-locating where possible and reducing the properties in the estate; rationalising the estate management function of BIS and six of its largest partner organisations into one single estates management function; and thirdly transferring over 400 separate facilities management agreements into one contract. As a result of this work, the programme has delivered savings over £62 million and is on target to deliver over £100 million in savings by April 2015.

Aligned with Government's Next Generation Shared Services strategy:

In October 2013, the Company placed a contract with Shared Services Connected Ltd (SSCL) as part of government's Next Generation Shared Services strategy with the intention of SSCL providing some in scope services to UK SBS from spring 2015. Internally our Connected Programme is working through the details required to ensure benefits are realised and our customers receive a seamless service.

Delivering the latest Oracle platform:

UK SBS is pleased to have played an important role in developing the Oracle 12.1.3 platform that will provide the operating platform for BIS and partner organisations.

Establishing this platform fulfilled a major objective for the Company in this financial year and enabled BIS, UK Space Agency, UK Trade and Investment and later, Intellectual Property Office and the Insolvency Service, to migrate to this new platform. This was the first full system transition for UK SBS since the original RCUK project completed in 2011. The Company's previous experience in transition supported a robust transition process, following Cabinet Office Gateway 4 process. The Cabinet Office review of the implementation commented favourably on the governance of the programme.

Establishing customer governance:

Customers are at the very heart of the organisation and working in partnership is one of our guiding principles. Our new operational Customer Governance Forums began with the clear remit of working collaboratively to identify areas of focus and agree service improvements. This was complemented by the first Owner and Customer Summit held in October 2013, attended by the senior leaders representing our client organisations. This co-operative involvement also brought about a renewed focus for information sharing.

Being open and transparent:

UK SBS does not have conventional corporate goals of profit and capital growth. Instead, we are driven by a desire to support public service and do our utmost for customers. Owned by our shareholding customers we naturally want to be transparent in all our dealings.

Responding to feedback from customers in 2013/14, we published our performance figures, strategic plans and Board meeting summaries widely through digital channels including our website (www.uksbs.co.uk) and will continue to do so. More detail on our transparency agenda is contained within the Annual Governance Statement.

Overcoming our challenges:

The year has not been without its challenges. Our plans to provide desktop services to BIS were met with setbacks that meant the Company played a different role than the one originally planned. We also experienced challenges to our internal controls in the shape of an attempted fraud.

We have learned from both. After reviewing and redeveloping our IT offer, customers are actively choosing to take the service. We also reviewed, renewed and strengthened our internal controls. We have put in place tighter processes and checks and rolled out Counter Fraud Training to all employees. A project to assess and improve the Company's IT security architecture and infrastructure also began in the year and will have completed by June 2014.

Embedding Continuous Improvement principles:

A successful series of awareness workshops on Continuous Improvement (CI) were attended by 80% of our workforce, including the Executive Management Team. The workshops helped establish common understanding and practice of the basic principles of Continuous Improvement. The year saw several projects successfully bring about efficiencies from reducing processing time on certain reports by up to 90% to saving costs by streamlining our archiving process. A number of the initial CI projects will complete in the coming year.

CASE STUDY

CONTINUOUS IMPROVEMENT ACROSS SERVICE LINES

The vital role of specialist technical support



“ Ensuring correct grants payments once involved time-consuming manual adjustments. The Grants and Finance teams' diligent work ensured payments to recipients were correct and on time. However, there was a clear opportunity to be more efficient.

Like much of the continuous improvement underway at UK SBS, our ICT work involved diving into an end-to-end process across multiple service functions and collaborating with colleagues.

With our knowledge of both the technical aspects of the systems that run our services, and in depth understanding of the services themselves, the Functional Support team provides the valuable systems expertise in such tasks. The project was a significant undertaking and involved pinpointing data items causing issues and then conducting a large exercise to correct them. My role on the project involved a great deal of liaising with Grants and Finance to identify the technical and data issues and manage the process for data changes.

Working on projects like this is challenging but extremely rewarding. It's all too easy to accept inefficiencies as 'just the way things are'. However, the whole team tackled this complex challenge head on – and succeeded in producing error free pay runs and therefore saving time and money. ”

Deb Tomlinson

ISS Functional Support

STRATEGIC REPORT

Putting our people first:

Our business is built on the expertise and commitment of our people. We want to give everyone in UK SBS the opportunity to realise their talents. In 2013/14, we created a new performance management framework that better supports and promotes our people's personal development. This framework will launch in the first quarter of 2014/15. In conjunction with this, the Company is committed to a coaching approach and our in-house coaching network provides around 200 hours of one-to-one mentoring each year.

The Company is also committed to helping build careers for young people across all its sites of operation through an apprenticeship scheme and graduate placement programme. On a visit to UK SBS' Newport office in October 2014, Welsh Assembly Minister, Edwina Hart commended the opportunities, "I am pleased to note the

Company is already supporting young people's entry into the employment market through work placements as well as apprenticeships."

Volunteering remains an important ingredient in our company culture. Our employees volunteered 1,200 hours of their time and skills to local causes. We also provided official call centres for Comic Relief and Sport Relief in 2013 and 2014 respectively; demonstrating our commitment to the community.

Capitalising on new opportunities:

While the UK's economic outlook is improving, we need to be as lean and efficient as possible, while being flexible and agile to respond to the challenges and opportunities in our developing sector. We have explored flexible growth opportunities through strategic partnering and have done this in a measured way to ensure we continue meeting the needs of our current customers.

The Company recognises that particular opportunities lie in our business services areas of procurement, property and asset management, grant payments and transition; while also looking to increase the value of the services we provide to our customers in finance and HR.

Beyond central government, we can potentially meet needs in the higher education and local government sectors, as long as risk is low and the rewards benefit current and future customers.

The changes arising from transferring some work to SSCL will also feature significantly in our journey ahead.

Strengthening our role:

The approaching year will see us strengthening our role as an established company that partners with customers, providing services that help deliver the Government strategy on efficiency and reform.

We aim to maximise the cost reduction, efficiencies and added value we provide customers. As defined in our 2014-19 Business Plan, we will focus on service, continuity and development.

As our majority owner, the Department for Business, Innovation and Skills (BIS) has signalled that it wants UK SBS to become fully sustainable in 2014/15. BIS has emphasised its desire for reliable and consistent delivery, strong financial management, and a robust commercial approach for costing ongoing and new business.

Operationally, BIS also seeks an upper-quartile procurement service and transactional processing for cost and quality; a strong continuous improvement culture and capability; and a clear customer transition plan for services to SSCL. These are already areas of focus and development.

Additionally, BIS wants UK SBS to be an exemplar in digital by default and to develop a strong brand and reputation that maximises our potential to provide a cross-government offering.

It will see UK SBS look to providing expert business services for an increasing group of public sector organisations and to be a delivery driver for savings through pooled resources and best practice processes.

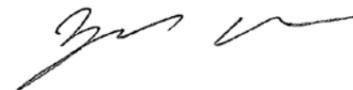
Our priorities for 2014/15

Early in 2013 we developed our 2013-18 five-year business plan. The plan documented our general direction, and detailed our priorities and activities for 2013/14 and beyond. We revisited the plan halfway through the year, taking stock and adjusting as necessary. Continuing this rolling plan, the new 2014-19 Business Plan continues the direction set in 2013 with a renewed commitment to quality and efficiency. This latest plan has the feedback from customers and shareholders, gathered through the customer governance structures, at its heart.

These plans are publicly available at www.uksbs.co.uk.

The Directors present their strategic report for the year ended 31 March 2014.

Approved by the Board on 8 September 2014 and signed on its behalf by:



Jonathan Preece
Chief Executive Officer
UK Shared Business Services Ltd
Date: 1 October 2014



“
We have explored flexible growth opportunities through strategic partnering and have done this in a measured way to ensure we continue meeting the needs of our current customers.”

DIRECTORS' REPORT

Principal activity

UK Shared Business Services Ltd is a company limited by shares whose principal activity is to 'improve the economy, efficiency and effectiveness of corporate services to UK public bodies and to help satisfy a UK Government mandate to reduce public expenditure and the cost of public services administration in the overall public interest and to improve public services more generally'.

The Board of Directors

The Board of UK Shared Business Services Ltd comprises ten members; nine non-executive members and one executive member. On 1 August 2012 the ownership and the constitution of the company Board was significantly re-constituted as part of a major business re-organisation, including a change in the name of the business. This is therefore the relevant appointment date for the Directors who transferred from the previous arrangements, who are indicated by an asterisk in the table opposite. The directors who held office during the period were as follows:



Dr Clive Grace O.B.E.*
Chair and Non-Executive Director



Jonathan Preece*
CEO and Executive Director



Baroness Rennie Fritchie
Non-Executive Director



Tim Knighton
Non-Executive Director



Edward Lester
Non-Executive Director



Elizabeth McMahon
Non-Executive Director



Simon Newton
Non-Executive Director



Howard Orme*
Non-Executive Director



Graham Raikes*
Non-Executive Director



Peter Swinburne*
Non-Executive Director



Lesley Thompson*
Non-Executive Director



Nick Winterton*
Non-Executive Director

	Date Appointed	Date Resigned
Dr Clive Grace*	1 August 2012	In post
Jonathan Preece*	1 August 2012	In post
Baroness Rennie Fritchie	1 August 2013	In post
Tim Knighton	1 August 2012	30 April 2014
Edward Lester	1 August 2012	In post
Elizabeth McMahon	1 September 2013	In post
Simon Newton	1 August 2012	1 August 2014
Howard Orme*	1 August 2012	21 October 2013
Graham Raikes*	1 August 2012	31 July 2013
Peter Swinburne*	1 August 2012	31 July 2013
Lesley Thompson*	1 August 2012	In post
Nick Winterton *	1 August 2012	In post

*Indicates Directors who transferred from previous governance arrangement on the 1 August 2012.

DIRECTORS' REPORT

Meetings of the Board and its sub-committees

Full details of the operation of the Board and its sub-committees can be found within the Governance Statement.

The Board meets approximately once every six weeks, and meetings of the Board sub-committees occur as follows:

Audit Committee – meets quarterly. Attended by Nick Winterton (Chair), Tim Knighton, Simon Newton, Ann Hemingway (Independent Member until October 2013) and Graham Raikes. The Audit Committee exists to review matters in relation to National Audit Office (NAO) and internal audit findings as well as corporate risk exposure and mitigation.

Treasury Management Advisory Committee – met quarterly. Attended by Nick Winterton (Chair), Tim Knighton, Simon Newton, Ann Hemingway (Independent Member until October 2013) and Graham Raikes. The Treasury Management Advisory Committee existed to advise the Board on strategic choices and resource allocation priorities in line with Company strategy. The committee was abolished 6 March 2014.

Commercial Committee – meets quarterly or as business needs dictate. Attended by Clive Grace (Chair), Ed Lester, Rennie Fritchie, Graham Raikes and Paul Fox. The Commercial Committee exists to review matters of commercial interest regarding corporate structure, governance and shareholder impact.

Remuneration and Nominations Committee – meets quarterly or as business needs dictate. Attended by Clive Grace (Chair), Peter Swinburne, Rennie Fritchie and Lesley Thompson. The Remuneration and Nominations Committee exists to consider and advise on remuneration, terms and conditions and nominations.

Property Asset Management Committee – meets monthly while the service line is established and quarterly thereafter. Attended by Philip Williams (Chair), Elizabeth McMahon, Ed Lester and Simon Newton. The Property Asset Management Committee exists to review strategic, operational and financial performance relating specifically to UK SBS Property Asset Management (PAM) service delivery.

Independent directors

Clive Grace, Nick Winterton, Tim Knighton, Edward Lester, Simon Newton, Rennie Fritchie, Elizabeth McMahon (Board) and Ann Hemingway, Graham Raikes (Audit Committee & Treasury Management Advisory Committee) are considered to be independent. Nick Winterton (Board and Audit Committee Chair) is the Senior Independent Director. All of the Board are appointed by all of the shareholders.

Performance evaluation of the Board

The performance of the Board and its sub-committees is reviewed annually around December/January with objectives set by the Chair. The Board also evaluates its performance following each Board meeting.

Dividends

No dividends were paid on ordinary shares during the period and the directors do not recommend a payment of a final ordinary dividend.

Political and Charitable Contributions

The Company made no political donations or incurred any political expenditure during the period. The Company made no charitable donations during the period.

Employment of Disabled People

Applications for employment by disabled people are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of employees becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Keeping Employees Informed and Engaged

We recognise that successful delivery of the plans and necessary changes will require clear and collaborative leadership from the top down and engagement with our people in the process of review, design and planning.

The Company developed existing employee channels and introduced a number of other ways that support employees accessing information about the Company and gaining an understanding of financial and service performance. These include fostering open dialogue through the 'Ask the executive' online feedback tool and 'town hall meeting' style opportunities to present information and ask questions. A range of forums also provide routes for employees and leaders to feed in ideas and views to forthcoming Company priorities. The Connected forum is one such example.

The Company recognises and maintains an open and constructive relationship with the Public and Commercial Services Union.

CASE STUDY

DELIVERING A STABLE ORACLE PLATFORM

Expecting the unexpected to make the most of testing time



“ As is common for projects with tough deadlines, our work on the new Oracle 12.1.3 system for BIS and partner organisations began before the broad specification had been completely developed. Elements of the work were done concurrently – and accurate planning was even more important than normal – and testing crucial.

What was needed was a careful balancing act between managing the time to build the system and the time to test it. And that's where our Transition team's previous experience paid off: knowing what to expect and how to deal with the unexpected.

In the later stages, 'user acceptance testing' came to the fore. With deadlines approaching, there were logistical challenges of getting people in different offices nationwide to use and test the system, and then following up on their feedback to iron out hitches.

It takes determination and commitment to deliver a fully tested system on time. Howard Orme, Director General of Finance at BIS relayed a compliment from the Cabinet Office that our test results should stand as exemplars of what can be achieved when system builds are done correctly. I'm proud of how my team put in the extra time and energy to achieve this successful outcome.

Rob Warner
Transition Test Lead

DIRECTORS' REPORT

Employee Shareholding Vehicle

In order to ensure that the company is compliant regarding the VAT Cost Sharing Group, it has been necessary to remove from ownership the employee engagement company (EECo). UK SBS intends to remain in close liaison with HMRC and to seek to reinstate the ownership of the EECo in the forthcoming financial year, as long as to do so would not threaten the validity of the UK SBS VAT Cost Sharing Group.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual 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 International Financial Reporting Standards (IFRS) as adopted for use in the European Union. Under company law, the directors must not approve the financial statements unless they are satisfied that they give

a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies and apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state that the financial statements comply with IFRS
- 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 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 preventing and detecting fraud and other irregularities.

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

Statement as to Disclosure of Information to Auditors

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

The Comptroller and Auditor General (National Audit Office) was re-appointed as auditor during the period, under Section 487 of the Companies Act 2006.



For and on behalf of the Board

Jonathan Preece
Chief Executive Officer
UK Shared Business Services Ltd
Date: 1 October 2014

CASE STUDY

GRADUATE PLACEMENTS CREATE PROSPECTS

Giving young people opportunities
in procurement



“ It's been a great year being on work placement with UK SBS as part of my sandwich degree course in Logistics and Supply Chain.

UK SBS has formed good ties with the University of South Wales. In fact, our procurement lead at the university encouraged me to work with UK SBS on my placement.

The Procurement team in Newport welcomed me from the start. I'm getting real practical experience with my own responsibilities to deliver. You don't get that with one or two-week placements. It's given me a chance to shine and there are genuine opportunities with UK SBS at the end of my degree.

What's more, it's a really exciting time to be working in public sector procurement. Better buying is helping save taxpayers money, so it's not all about cuts to services. We're also helping create more opportunities for small businesses to supply the public sector.

It's been an all-round positive experience for me. ”

Victoria Parsons

Undergraduate, University of South Wales

ANNUAL GOVERNANCE STATEMENT 2013/14

As the Accounting Officer for UK Shared Business Services Ltd, I acknowledge my responsibilities for ensuring that there is a sound system of governance and internal control structures within the Company, and that UK Shared Business Services Ltd's (UK SBS) business is conducted to ensure public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

The Purpose of the Governance Statement

The Governance Statement, for which I take responsibility, details the business and control structures in place within UK SBS and has been written to supplement the Company's annual accounts. The statement records the stewardship by the Board and Executive Management

Team of the organisation, providing details of Company performance and how it has coped with the challenges it has faced throughout the financial year.

The statement provides information on the Company's governance framework including details of the Board, its sub-committees and the Executive Management Team.

The customer governance model became operational and is now operating successfully. Customers are represented on six service specific forums and a cross-cutting forum

The statement outlines how the Company's governance structures and senior management support the Board and I in making informed decisions on the effective use of the organisation's resources and how they have assessed the Company's performance against its business plan. This statement explains how the organisation has complied with the principles of good governance and reviews the effectiveness of these arrangements.

Corporate Governance Structures, Board Performance and Effectiveness and Compliance with the Corporate Governance Code

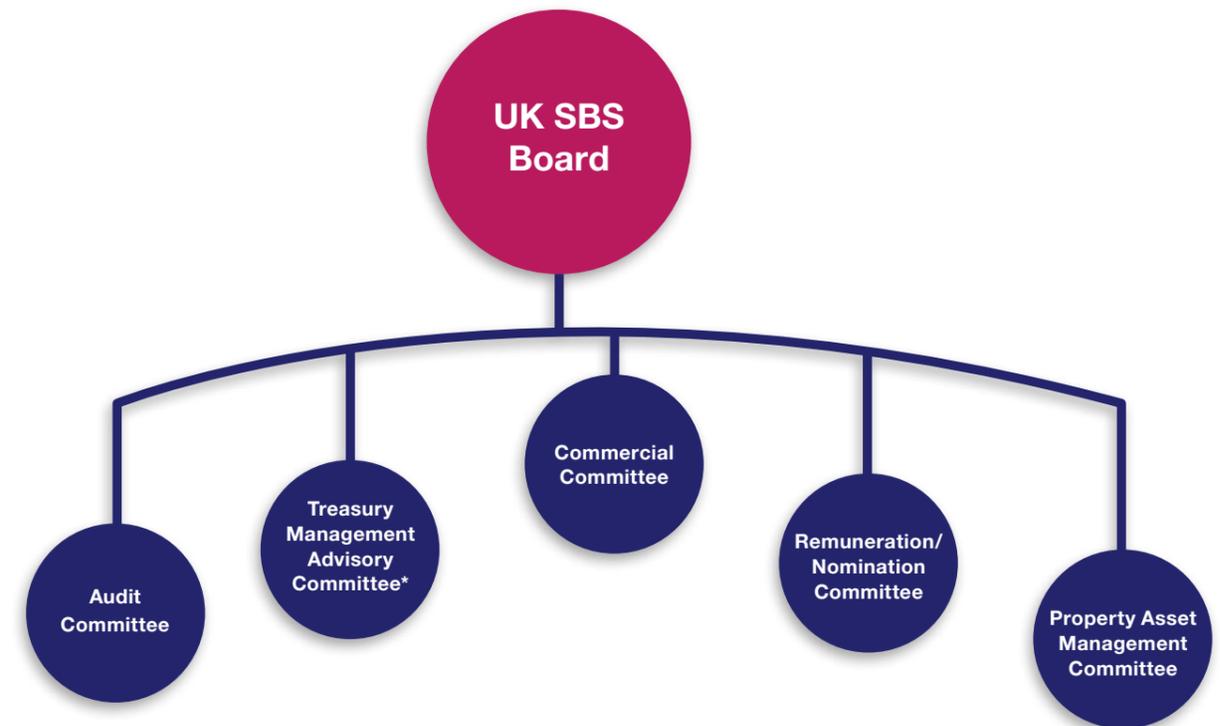
The Board, supported by its sub-committees, the Executive Management Team and the Company's management infrastructure ensures that it complies with all appropriate guidance on Corporate Governance including the 2012 UK Corporate Governance Code. As a limited Company, UK Shared Business Services Ltd is not obliged to follow the Code of Corporate Governance; however, as a matter of best practice, it applies the principles and provisions. In keeping with the spirit of the Code, the appropriateness and effectiveness of the Company's governance arrangements are regularly reviewed and, where appropriate, changes are made to ensure that structures remain compliant with company law and fit for purpose.

During 2013/14, the final elements of the governance and ownership changes, initiated through the commission by the shareholders during 2012, were implemented. This included further strengthening of the UK SBS Board with the appointment of two new Non-Executive Directors. The customer governance model became operational and is now operating successfully. Customers are represented on six service specific forums and a cross-cutting forum. Customer representatives co-chair these forums alongside a UK SBS representative. In October 2013 and March 2014, an Owners and Customers Summit took place that focused on performance against the business plan and developing the 2014-19 business plan. In July 2013, a comprehensive annual corporate governance review was undertaken and considered by the Board. In March 2014 a Sponsor Agreement with the Department for Business, Innovation and Skills (BIS) was agreed by the Board.

The corporate governance framework of UK SBS is shown below and comprises the Board and five sub-committees. The Board is appointed by all of the shareholders and the Board manages the Company on behalf of its owners. The Board is supported by the Executive Management Team comprising the CEO and all directors.

The Board comprises of ten members as follows:

- a Non-Executive Director and Independent Chair
- one Executive Director (the Chief Executive Officer)
- a Senior Independent Non-Executive Director (SID)
- seven Non-Executive Directors.



*Treasury Management Advisory Committee abolished 6 March 2014

“ UK SBS is a mutual service provider, owned and controlled by its clients. We charge our clients the full cost to serve, including in-year investment needs and no more. All clients participate in the Company's client governance arrangements. **”**

ANNUAL GOVERNANCE STATEMENT 2013/14

Board and Audit Committee Attendance 1 April 2013 to 31 March 2014

Board members have the appropriate skills and experience to discharge their responsibilities and are fully committed to representing the interests of the Company. Consequently, there has been a very high level of attendance of members at Board and sub-committee meetings in 2013/14. Board and Audit Committee attendance is set out below:

Board and Committee Attendance for 1 April 2013 to 31 March 2014		
Meetings attended per Board member out of meetings eligible to attend		
Name of Board Member	Board	Audit Committee
Dr Clive Grace	8/9 (88.8%)	
Jonathan Preece	9/9 (100%)	5/5 (100%)
Lesley Thompson	9/9 (100%)	
Nick Winterton	9/9 (100%)	5/5 (100%)
Tim Knighton	7/9 (77.7%)	4/5 (80%)
Edward Lester	8/9 (88.8%)	
Simon Newton	6/9 (66.6%)	4/5 (80%)
Baroness Rennie Fritchie ¹	4/6 (66.6%)	
Elizabeth McMahon ²	4/5 (80%)	
Graham Raikes ³	3/3 (100%)	1/1 (100%)
Peter Swinburne ⁴	3/3 (100%)	
Howard Orme ⁵	4/5 (80%)	
Brian Hooper ⁶		2/2 (100%)
Ann Hemingway ⁷		3/3 (100%)

1. Baroness Rennie Fritchie appointed from 1 August 2013.
2. Elizabeth McMahon appointed from 1 October 2013.
3. Graham Raikes resigned from the Board with effect from 31 July 2013 but remained a member of the Commercial Committee and has since been appointed to the Audit Committee.
4. Peter Swinburne resigned from the Board with effect from 31 July 2013 but remained a member of the Commercial Committee and Remuneration and Nominations Committee.
5. Howard Orme resigned from the Board with effect from 21 October 2013.
6. Brian Hooper resigned from the Audit Committee with effect from 5 September 2013.
7. Ann Hemingway resigned from the Audit Committee with effect from 30 September 2013.

The roles and responsibilities of the Board and its supporting committees are clearly defined within the Company articles and their respective terms of reference. The Board's core objective is to discharge its legal responsibility for leadership, strategic direction and stewardship of the Company. The Board ensures that appropriate governance structures are in place within the Company and that the Company complies with all relevant legal requirements. Through the Remuneration and Nominations Committee there is a transparent procedure in place to consider nominations for new Board members.

At each meeting, the Audit Committee receives an update from both the external auditors (National Audit Office, NAO) and the internal auditors (Audit and Assurance Service Group, AASG), which includes audit reports produced since the previous meeting together with management responses. The Audit Committee in turn provides updates and feedback to the Board on all relevant audit, risk and control issues. The Audit Committee conducts a formal annual review of its own effectiveness. Further management information on audit, risk and control is also provided to the Board and Audit Committee by the Assurance, Risk and Control Forum (ARC) a bi-monthly management meeting attended by all members of the Executive Management Team at which the Company's Risk Management and Internal Control Arrangements are monitored and reviewed.

The UK SBS Audit Committee met five times in 2013/14, at each meeting considering the audit reports completed since the last meeting, the Company's Corporate Risk Register, monitoring the implementation and closure of audit recommendations and receiving a key corporate risk presentation from the relevant risk owner.

Risk Assessment

UK SBS has governance arrangements that ensure we have a well defined organisational design and where accountabilities are supported by transparent and effective decision-making. This supports the effective operation of our management processes to achieve our objectives, as set out in the Company's Business Plan, by the identification and management of our risks and ensuring appropriate control arrangements are in place.

The Company's system of internal control has been in place for the year ending 31 March 2014 and consists of, but is not limited to, management checks, system controls, documented procedures, risk management and business continuity. The effectiveness of these Controls is monitored through management checks, compliance reviews and assurance engagements carried out by the Company's Internal Auditors (AASG).

The Company has adopted the 'three lines of defence' approach to risk management: the Company Management's Risk and Control Activities, a Compliance Oversight Function, and Independent Assurance. As part of this, the Company has instituted a process for ensuring appropriate ownership of business process risk through regular management reviews of all business processes across the Oracle 12.0.6 and 12.1.3 environments and certification by Heads of Service (quarterly) and Directors (every 6 months) that the processes and controls for which they are responsible are in place and operating effectively.

The certification process was rolled out at the end of the second quarter of the 2013/14 year. In addition to providing me with the required confidence that our business processes are operating effectively, as designed and satisfy the relevant control objective, this highlighted a small number of areas where those responsible for a given business process identified process steps or controls requiring improvement. In instances where this was the case, necessary action has and is being taken to enhance relevant controls.

“
The UK SBS model is innovative in the public sector. It is a mutual model that can be developed to meet the particular needs and challenges of public service organisations while retaining a clear commercial, innovative and customer focused culture and delivery.”

ANNUAL GOVERNANCE STATEMENT 2013/14

In addition to implementing the Certification Process, and consistent with the three lines of defence model, the Company has also begun to develop an internal control compliance function. The function has developed a timetable of control compliance testing and testing of the Company's business process controls has commenced.

The Company also has a Risk Management Strategy and Policy in place. It has formalised risk appetite with each Directorate having its own Risk Register, which in turn feeds into the Company's Corporate Risk Register.

Internally, at the Director Level, the Company's Risk Management and Internal Control arrangements are scrutinised by the Audit, Risk and Control Forum (ARC), which is attended by the Executive Management Team. Further scrutiny of the Company's Risk Management and Internal Control arrangements is carried out by the Company's Audit Committee, which

receives regular updates on the Company's internal control arrangements and on a rolling basis receives presentations on Directorate Risk Registers.

The Corporate Risk Register is reviewed at each UK SBS Board and Audit Committee meeting.

At the financial year end the top three risks facing the Company as captured in the Corporate Risk Register are:

- Delays to the delivery of the Transition Programme, which would impact the delivery of key projects to customers in terms of running to time, budget or meeting with customer requirements.
- A UK SBS Procurement exercise is subject to external challenge, resulting in a loss of financial benefits to the relevant customer, legal costs, financial loss and damage to UK SBS reputation.
- A failure to manage the tensions between growth/taking on new business and managing business-as-usual delivery to existing client base, resulting in customer dissatisfaction, reputational damage to the business with a knock on impact on the Company's ability to grow in line with projections.

In the case of all three risks, a member of the Executive Management Team has been assigned ownership and the risks are being managed within the Company's risk appetite.

In our 2012/13 Annual Governance statement, UK SBS reported that it had been the target of an attempted mandate fraud and outlined the process and controls it had put in place in order to ensure that such an incident could not occur again. Since the incident, all changes to supplier account details have been referred back to the supplier for validation and a clear audit trail of the changes has been maintained with all changes subject to management review and approval.

This enhanced process for validating changes to supplier account details has been in place throughout the 2013/14 financial year and has been the subject of periodic independent review by the Company's internal auditors AASG, who have confirmed that they are satisfied that the controls and process as outlined above are in place and operating effectively.

Data Security

In the course of the 2013/14 financial year, the Company has not been made aware of any significant information security or data security incidents in relation to the commercially and personally sensitive data we process on behalf of our customers.

However, there have been a number of smaller data security and information security breaches, all of which have been managed via the formal reporting processes agreed between UK SBS and client organisations.

Due to the high volume transactional nature of much of our business and the necessary requirement for human intervention in our business process, occasional breaches are unfortunately unavoidable. We do however take every possible precaution to minimise the risk of a breach. This is done through Data Protection and Information Security training for all employees, awareness campaigns and, in the event of a breach, thorough investigation of the root cause, the production and implementation of 'lessons learnt' and, if appropriate, disciplinary action against the individual responsible for the breach.

The Transparency Agenda

As a private sector organisation, the Company has not previously considered that the formal reporting requirements of the Government's transparency programme apply. However, as part of our work to help deliver our client's commitments UK SBS supports the transparency programme and applies it through:

- Meeting the procurement transparency requirements through open publication of procurement opportunities.
- Publishing quarterly scorecard performance service reports on our website to demonstrate our success.
- Publishing monthly Board communiqués on our website to provide transparent strategic direction.
- Raising awareness of the various formal client transparency reporting requirements across the organisation.

In addition, in 2014 we will consider full adoption and publication of further transparency measures.

Assurance on Tax Compliance

The Alexander Review was published in May 2012 making a number of recommendations to ensure that the highest standards of integrity could be demonstrated in the tax arrangements of senior public appointees. I can confirm that UK SBS senior employees are all paid through the payroll and that arrangements are in place through HR to provide assurance that appropriate tax arrangements are in place to cover any other appointees covered by the report.

In 2013/14 UK SBS identified 89 contractors who fell within the Alexander Review criteria. UK SBS sought and gained assurance that the appropriate tax arrangements are in place for 85 of the 89 contractors identified, the details for the four for which assurance was not gained have been passed to HMRC as per the instructions of the Company's sponsor Department.

ANNUAL GOVERNANCE STATEMENT 2013/14

Review of Effectiveness

I, along with the UK SBS Board, have responsibility for conducting an annual review of the effectiveness of the systems of the organisation's governance, risk management and internal control. This review has been informed by the Company's Audit Committee, the oversight and review work of executive managers, the Certification process implemented in the course of the 2013/14 financial year and the Company's internal and external auditors, all of whom have a role in ensuring the Company's governance structures and internal control framework are appropriately designed and operating effectively. The Governance Statement represents the end product of the review of the effectiveness of the governance framework, risk management and internal control.

The Audit and Assurance Service Group (AASG) provide an internal audit function for the Company. The Company has effective governance and good internal control processes in place, as evidenced by the AASG Director of Internal Audit Annual Assurance Opinion through which he has provided the Company with Substantial Assurance. In his annual report dated 28 March 2014, the Director of Internal Audit stated that sufficient internal audit work had been undertaken to provide a positively stated [evidence based] and reasonable [not absolute] assurance opinion on the overall adequacy and effectiveness of the Company's system of internal control. The overall opinion was Substantial Assurance: a basically sound system of internal control, but there are a few areas that may put achievement of some system objectives at risk. The overall opinion relates to the Company's Oracle 12.0.6 business operations and the control framework that supports service delivery to client organisations. There were no qualifications to this opinion, however AASG did identify two areas for improvement that they felt should be reflected within this statement:

AASG's Audit of the Company's Business Continuity(BC) and Disaster Recovery(DR) arrangements identified weaknesses in the planning, resourcing and funding of the Company's Business Continuity and Disaster Recovery capability.

AASG's Audit of the Company's Procurement Department's compliance with the provisions of the Official Journal of the European Union (OJEU) identified opportunities to improve documentation maintained to evidence compliance with OJEU rules.

In relation to the Company's BC/DR arrangements, AASG has raised concerns in relation to the planning, resourcing and funding of its BC/DR capability. The weaknesses identified by AASG had already been acknowledged by the Company and the following steps have been taken to address them:

- A comprehensive plan for improving both technical and non-technical BC and DR has been produced.
- At a high level, the plan is based on reviewing and revising both our overall company BC plan, and the business unit plans that feed into it; exercises to test business unit plans and then company preparedness; familiarisation of staff who may be called upon to play roles dealing with any disaster or business continuity event.
- The plan also entails reviewing and improving our technical capacity to recover from any incident that impairs our IT and telephony infrastructure, and the service that we would consequently be able to provide on Oracle platforms.

In respect of the effectiveness of control relating to the completeness of documentation retained as evidence of procurement activities having complied with OJEU, the Procurement Team had already started work on a number of improvement activities. Those pertinent here are:

- Design and implementation of a Commercial Assurance and Procurement gateway process for all sourcing activity.
- Implementation of electronic sourcing using the Emptoris e-sourcing tool. As well as improving the efficiency of the sourcing process for customers and suppliers, Emptoris ensures robust document management.
- Reorganisation of the Procurement intranet to make it easier for all staff to use and ensure all documentation not covered by Emptoris is appropriately stored and managed.

Change of Internal Audit Provider

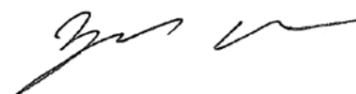
As a result of the review of the Company's assurance arrangements the Company is replacing the Audit and Assurance Services Group (AASG) with the recently established Cross Departmental Internal Audit Service (XDIAS) as its Internal Audit provider from the start of the 2014/15 financial year.

The decision to move to XDIAS is consistent with a broader Government initiative to establish an Internal Audit Service for all Government, and has received the backing and approval of the Company's Audit Committee and Board.

The change of Internal Audit Provider presents a number of challenges for the Company, namely ensuring the smooth transition from AASG to XDIAS and ensuring our Customers receive sufficiently detailed assurance on the design and operation of the Company's system of internal control. However, these challenges are being managed through co-operation and a handover process between AASG and XDIAS and the development of a Quarterly Customer Assurance process respectively.

Conclusion

I, along with the Board, have considered the evidence provided regarding the production of the Annual Governance Statement. On the basis of this review I am satisfied that the organisation's overall governance and internal control structures are effective and fit for purpose, and will be subject to ongoing review throughout 2014/15 in accordance with the Business Plan 2014-19.



Jonathan Preece
Accounting Officer and Chief Executive Officer
Date: 1 October 2014

CASE STUDY

BUILDING ON TEN YEARS OF ELECTRONIC GRANTS SUBMISSION

The people behind the systems



“ Anyone applying for public funding grants from the UK Research Councils will be one of the 130,000 registered users of 'Je-S' (Joint Electronic Submission). Even veterans of the system may be surprised to learn that the facility passed its tenth birthday in 2013.

Working for one of the research councils that originally pioneered the Je-S project, I recall the old paper-based process where applications from Oxford arrived in a van. So, moving to an electronic process was much faster and more efficient, and reduced costs all round.

Je-S was the best tool for the job at the time; it worked well. So rather than replacing it needlessly, stewardship of the system transferred to UK SBS in 2009 and I came with it! We enjoy a good collaborative relationship with research councils, and the system continues to be a jointly developed service under UK SBS management.

For me, the Je-S story has been one of building on the strength of our legacy organisations. Je-S has evolved into a complete tool for managing a grant through its full lifecycle, from application through payments to final costing. It is now much more than an online grant application portal and I'm sure we will continue to see it develop. ”

Janet Niven
UK SBS Grants Process Support Manager

REMUNERATION REPORT FOR THE YEAR ENDED 31 MARCH 2014

Remuneration Policy

The Remuneration and Nominations Committee is responsible for agreeing the pay and allowances of senior management. The Committee is a sub-committee of the Board and its membership is as follows:

- Dr Clive Grace (Chair)
- Peter Swinburne
- Lesley Thompson
- Baroness Rennie Fritchie

The terms of reference of the Remuneration and Nominations Committee were agreed by the Board at its meeting held 25 July 2013. The remuneration policy ensures that due regard is given to the UK Corporate Governance Code and non-executive directors are subject to performance review.

Service Contracts

Non-executive members of the Board are appointed for a fixed term of office, renewable by agreement. With the exception of Ann Hemingway, all of the non-executive directors are appointed by all of the shareholders. Some non-executive directors offer their services on a pro bono basis. The Company's current policy is to appoint salaried non-executive directors on fixed term contracts of three years, the notice period for these appointments to be not more than 12 months.

All service contracts for appointment of directors are subject to the approval of the Remuneration and Nominations Committee and subsequently the Board, with the concurrence of the Shareholders and ratified at the following AGM. Information regarding executive directors' and non-executive directors' service contracts is included below.

Name	Position	Date of Contract	Duration
Jonathan Preece	Chief Executive Officer	13 September 2012	Open-ended
Clive Grace	Chair	01 August 2012	3 Years
Nick Winterton	SID	01 August 2012	3 Years
Tim Knighton	NED	01 August 2012	3 Years
Simon Newton	NED	01 August 2012	3 Years
Edward Lester	NED	01 August 2012	3 Years
Howard Orme	NED	01 August 2012	3 Years
Lesley Thompson	NED	01 August 2012	3 Years
Peter Swinburne	NED	01 August 2012	1 Year
Graham Raikes	NED	01 August 2012	1 Year
Baroness Rennie Fritchie	NED	01 August 2013	3 Years
Elizabeth McMahon	NED	01 October 2013	3 Years

SID - Senior Independent Non-Executive Director NED - Non-Executive Director

The remuneration and pension tables shown over include non-executive directors who are remunerated and members of senior management subject to audit.

Salary

'Salary' includes gross salary, performance pay or bonuses, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, private office allowances and any other allowance to the extent that it is subject to UK taxation.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HMRC as a taxable emolument.

The Pension Scheme

The main pension scheme used by employees of UK SBS is the Research Councils Pension Scheme (RCPS), which is a defined benefit government pension scheme. The Company also offers a Partnership stakeholder pension. Further details of these schemes are given in the notes to the financial statements.



FOR AND ON BEHALF OF THE BOARD

Jonathan Preece
Chief Executive Officer
Date: 1 October 2014

CASE STUDY

CREATING A SERVICE-LED CULTURE AT UK SBS

Leading the way through practical learning



“ When I signed up for the Institute of Customer Service course (ICS), I didn't realise how much there was to it.

The ICS course is designed to help us improve our customers' experiences. The course fitted around my day-to-day work and I was supported by a dedicated coach. It was a journey of reflection and increasing awareness of my personal impact on customers, colleagues, the organisation, and my own development.

Completing the qualification opened my eyes to service beyond the relationship we have and build with each customer. I better understand the importance of my role in the organisation and how vital it is for everyone to work together to deliver excellent service.

'Putting customers first' is one of UK SBS' core values. I now have a strong appreciation of what this means, particularly in a shared services environment where the strategic benefits for the customers' organisation can feel at odds with an individual customer's request. In such cases, it's crucial to work with the customer and make an informed decision from the options available.

I have enjoyed the experience. I'm continually discovering more about my role and how I can help everyone in my team provide better service to customers. ”

Carrie Coles
 HR Service Delivery Data Specialist

SALARY AND PENSION ENTITLEMENTS OF THE BOARD AND SENIOR MANAGEMENT

Salary entitlements

The following table provides remuneration details of senior management and those members of the Board receiving remuneration, all of which is subject to audit.

Name	Board Members							Senior Management									Other Non-Executives				
	Grace C	Preece J	Winterton N	Fritchie R	McMahon E	Swinburne P		Brigham J	Dunne N	Edwards R	Elliot R**	Greengrass C	Hardingham A	Holmes R	Layton A	Sgambellone S	Taylor R		Hemingway A	Hooper B	Williams P
Appointment	Chair	CEO	SID	NED	NED	NED		DCEO	ACEO	SM	SM	SM	SM	SM	SM	SM	SM		NED	NED	NED
Start Date (SD)	01/04/2013	01/04/2013	11/10/2013	01/08/2013	01/10/2013	01/08/2013		11/11/2013	01/04/2013	01/04/2013	22/07/2013	13/05/2013	01/04/2013	01/04/2013	03/09/2013	01/04/2012	01/05/2013		01/04/2013	01/04/2013	01/11/2013
End Date (ED)	31/03/2014	31/03/2014	31/03/2014	31/03/2014	31/03/2014	31/03/2014		31/03/2014	31/03/2014	31/12/2013	31/03/2014	31/03/2014	28/02/2014	31/03/2014	31/03/2014	31/03/2013	31/03/2014		30/09/2013	05/09/2013	31/03/2014
Salary	2013/14 £000k	50-55	165-170	5-10	0-5	0-5	0-5	45-50	115-120	85-90	5-10	85-90	125-130	110-115	45-50	0	80-85		0-5	0-5	0-5
Bonus pay	2013/14 £000k	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0
Compensation Payment	2013/14 £000k	0	0	0	0	0	0	0	0	95-100	0	0	70-75	0	0	0	0		0	0	0
Total	2013/14 £000k	50-55	165-170	5-10	0-5	0-5	0-5	45-50	115-120	180-185	5-10	85-90	200-205	110-115	45-50	0	80-85		0-5	0-5	0-5
Salary	2012/13 £000k	45-50	80-85	0	0	0	0	0	110-115	105-110	0	0	120-125	110-115	0	100-105	0		0-5	0	0
Bonus pay	2012/13 £000k	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0
Compensation Payment	2012/13 £000k	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0
Total	2012/13 £000k	45-50	80-85	0	0	0	0	0	110-115	105-110	0	0	120-125	110-115	0	100-105	0		0-5	0	0

*The Chief Executive Officer, Jonathan Preece, was an employee of Kimberly-Clark on secondment to UK SBS from 1 Oct 2011 to 12 Sept 2012, following which he became an employee of the Company. The table above reflects remuneration from UK SBS only and includes allowances of £40k to cover expenses. He was seconded to the Department for Business, Innovation and Skills (BIS) for 2 days per week until 30 November 2013, for which there was an agreement to recharge a proportion of costs to BIS. The figures shown in the table above are shown before any recharge.

During 2013/14, the Director of Transition, Karen Pile, was an employee of BIS and was seconded to UK SBS from 16 June 2013. The cost of this secondment to the Company during 2013/14 was £0.

**During 2013/14, the Director of Finance, Ruth Elliot, was an employee of BIS and was seconded to UK SBS from 22 July 2013. The cost of this secondment to the Company during 2013/14 was £0. She became an employee of UK SBS on 1 March 14.

The following Non Executive Directors received no remuneration during the financial year:

E. Lester T. Knighton S. Newton
H. Orme G. Raikes L. Thompson

No executive bonuses were awarded in years 2013/14 or 2012/13

Pension entitlements

The following table provides details of the pension interests of senior management and those members of the Board receiving remuneration, all of which is subject to audit.

Name	Grace C	Preece J	Brigham J	Dunne N	Edwards R	Elliot R	Greengrass C	Hardingham A	Holmes R	Layton A	Sgambellone S	Taylor R	Winterton N	Fritchie R	Hemingway A	Hooper B	McMahon E	Swinburne P	Williams P
Appointment	Chair	CEO	DCEO	ACEO	SM	SM	SM	SM	SM	SM	SM	SM	SID	NED	NED	NED	NED	NED	NED
Start Date (SD)	01/04/2013	01/04/2013	11/11/2013	01/04/2013	01/04/2013	22/07/2013	13/05/2013	01/04/2013	01/04/2013	03/09/2013	01/04/2012	01/05/2013	11/10/2013	01/08/2013	01/04/2013	01/04/2013	01/10/2013	01/08/2013	01/11/2013
End Date (ED)	31/03/2014	31/03/2014	31/03/2014	31/03/2014	31/12/2013	31/03/2014	31/03/2014	28/02/2014	31/03/2014	31/03/2014	31/03/2013	31/03/2014	31/03/2014	31/03/2014	30/09/2013	05/09/2013	31/03/2014	31/03/2014	31/03/2014
Real increase in pension	£000	0	2.5-5	0-2.5	2.5-5	2.5-5	0	0	0-2.5	0-2.5	0-2.5	0	0-2.5	0	0	0	0	0	0
Real increase in lump sum	£000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Pension at ED	£000	0	2.5-5	0-2.5	5-7.5	12.5-15	0	0	2.5-5	5-7.5	0-2.5	0	0-2.5	0	0	0	0	0	0
Lump sum at ED	£000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CETV at SD	£000	0	8	0	26	119	0	0	43	55	0	0	0	0	0	0	0	0	0
CETV at ED	£000	0	39	13	59	165	0	0	61	88	11	0	27	0	0	0	0	0	0
Employee contributions and transfers in	£000	0	13	4	10	6	0	0	8	8	4	0	7	0	0	0	0	0	0
Real increase in CETV as funded by employer	£000	0	18	9	22	33	0	0	7	21	7	0	20	0	0	0	0	0	0

ACEO - Assistant Chief Executive Officer
CETV - cash equivalent transfer value
DCEO - Deputy Chief Executive Officer

NED - Non-Executive Director
SID - Senior Independent Non-Executive Director
SM - Senior Management

SALARY AND PENSION ENTITLEMENTS OF THE BOARD AND SENIOR MANAGEMENT

Details of Pension Scheme

Employees of UK SBS are members of the Research Councils' Pension Schemes (RCPS) which are defined benefit schemes funded from annual grant-in-aid on a pay-as-you-go basis. The benefits are by analogy to the Principal Civil Service Pension Scheme, except that while the schemes provide retirement and related benefits based on final or average emoluments, redundancy and injury benefits are administered and funded by the Council. The scheme is administered by the Research Councils' Joint Superannuation Service.

From 30 July 2007, employees may be in one of four defined schemes; either a 'final salary' scheme (classic, classic plus or premium); or a career average scheme (nuvos). Pensions payable are increased annually in line

with changes in the Retail Prices Index (RPI). Employees' contributions vary between 1.5% and 8.25% depending on scheme. The employer's contribution is agreed by the RCPS Board of Management on the recommendation of the Government Actuary's Department (GAD) and is set at 26.0% of pensionable pay.

We need to be as lean and efficient as possible, while being flexible and agile to respond to the challenges and opportunities in our developing sector.

As part of the pension reform process, the Government is increasing member contributions to the main public service pension schemes by an average of 3.2% of pay over three years from 2012. The Government has announced the third of these increases to the contribution rates that some civil servants will pay to their Civil Service pension from April 2014. The Research Councils Pension Scheme (RCPS) is a 'by-analogy' scheme to the Principal Civil Service Pension

Scheme (PCSPS) and as a result any changes made to the PCSPS, including member contribution rates, are automatically applied to the RCPS.

Members of the classic, premium, classic plus and nuvos schemes will be affected. These increases do not apply to those who earn less than £15,000 (salary and pensionable allowances on a full-time equivalent basis).

A table of the increases by pay band and scheme is provided opposite.

A Partnership Pension Account was made available to new staff from 1 October 2002, based on the portable Stakeholder Pension introduced by the Government in 2001. This is a defined contribution scheme. The employers pay the RCPS 0.8% of pensionable pay to cover death in service and ill health benefits. The employers pay the balance to the employee's private pension provider.

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age or immediately on ceasing to be an active member of the scheme if they are already at or over pensionable age. Pensionable age is 60 for members of classic, classic plus and premium and 65 for members of nuvos.

Cash Equivalent Transfer Value (CETV)

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in the former scheme.

The pension figures shown on page 29 relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Research Councils' pension arrangement and for which the RCPS has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost.

Real increase in the value of the CETV

The real increase in the value of the CETV reflects the increase effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Annual Pensionable Earnings (full-time equivalent basis)	classic scheme		premium, classic plus and nuvos	
	Current contribution rate %	New 2014 contributions %	Current contribution rate %	New 2014 contributions %
Up to £15,000	1.50	1.50	3.50	3.50
£15,001 - £21,000	2.70	3.00	4.70	5.00
£21,001 - £30,000	3.88	4.48	5.88	6.48
£30,001 - £50,000	4.67	5.27	6.67	7.27
£50,001 - £60,000	5.46	6.06	7.46	8.06
Over £60,000	6.25	6.85	8.25	8.85

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UK SHARED BUSINESS SERVICES LTD

I have audited the financial statements of UK Shared Business Services (UK SBS) for the year ended 31 March 2014, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

Respective responsibilities of the directors and the auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on financial statements

In my opinion: - the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2014 and of the loss for the year then ended; and the financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by European Union; and the financial statements have been prepared in accordance with the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which I report by exception

I have nothing to report in respect of the following matters where the Companies Act 2006 requires me to report to you if, in my opinion: adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my staff; or the financial statements are not in agreement with the accounting records and returns; or certain disclosures of directors' remuneration specified by law are not made; or I have not received all of the information and explanations I require for my audit.



Matthew Kay (Senior Statutory Auditor)

Date: 9 October 2014

For and on behalf of the

Comptroller and Auditor General (Statutory Auditor)

National Audit Office, 157-197 Buckingham Palace Road,
London, SW1W 9SP

	Notes	2013 £'000	2012 £'000
CONTINUING OPERATIONS			
Revenue	2	57,331	55,238
Cost of sales	2	(58,038)	(59,303)
GROSS (LOSS)/PROFIT		(707)	(4,065)
Administrative expenses	2	(8,383)	(7,896)
OPERATING LOSS		(9,090)	(11,961)
Finance income	4	28	27
LOSS BEFORE INCOME TAX	5	(9,062)	(11,934)
Income tax		-	-
LOSS FOR THE YEAR		(9,062)	(11,934)
OTHER COMPREHENSIVE INCOME			
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(9,062)	(11,934)

All revenue and costs relate to continuing activities. No recognised gains and losses have been recognised apart from the loss for the year.

The Company has retained losses that approximately equal the depreciation and amortisation that has been charged to date. This is because since the Company's inception it has not included depreciation and amortisation within the cost base used to calculate service charges to clients. The Company seeks to set service charges such that it breaks even before depreciation and amortisation.

During the year the Company recorded a surplus of £51k before depreciation and amortisation. Included within the Cost of Sales is £9.1 million cost of depreciation and amortisation. Any surplus or deficit recorded in the Company's accounts is consolidated with the sponsor department's accounts.

	Notes	2014 £'000	2013 £'000
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	7	27,930	29,789
Property, plant and equipment	7	3,892	3,890
Other receivables	8	51	51
		31,873	33,730
CURRENT ASSETS			
Trade and other receivables	8	10,372	7,168
Cash on deposit		0	1,500
Current cash and equivalents	9	3,134	8,136
		13,506	16,804
TOTAL ASSETS		45,379	50,534
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	10	12,670	9,772
Provisions	11	0	286
		12,670	10,058
NET CURRENT ASSETS		836	6,746
NON CURRENT LIABILITIES			
Other payables	10	5,349	4,054
TOTAL LIABILITIES		18,019	14,112
NET ASSETS		27,360	36,422
SHAREHOLDERS' EQUITY			
Called up share capital	14	62,016	62,016
Retained earnings		(34,656)	(25,594)
TOTAL EQUITY		27,360	36,422

The financial statements were approved by the Board of Directors and authorised for issue on 8 September 2014 and were signed on its behalf by:



Jonathan Preece
Chief Executive Officer
Date: 1 October 2014

	Notes	2014 £'000	2013 £'000
Cash flows from operating activities			
Cash generated from/(used in) operations	17	1,013	(3,911)
Net cash from operating activities		1,013	(3,911)
Cash flows from investing activities			
Purchases of intangible fixed assets		(5,630)	(166)
Purchases of tangible fixed assets		(1,627)	(950)
Movement in cash on deposit		1,500	(1,500)
Decrease in provisions		(286)	0
Interest received		28	27
Net cash from investing activities		(6,015)	(2,589)
Increase/(decrease) in cash and cash equivalents		(5,002)	(6,500)
Cash and cash equivalents at beginning of year	9	8,136	14,636
Cash and cash equivalents at end of year	9	3,134	8,136

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2012	62,016	(13,660)	48,356
Retained profit/(loss) for 2012/13	-	(11,934)	(11,934)
Balance at 31 March 2013	62,016	(25,594)	36,422
Retained profit/(loss) for 2013/14	-	(9,062)	(9,062)
Balance at 31 March 2014	62,016	(34,656)	27,360

1. Accounting Policies

1. Accounting Policies

1.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts. Estimates are continually evaluated and are based on historical experience and other factors that are believed to be reasonable under the circumstances. There are no judgements or key sources of estimate uncertainty that have a significant effect on the amounts recognised in the financial statements other than as disclosed in note 7 regarding non-current assets.

1.2 Going concern basis

The Directors have a reasonable expectation that the Company will continue in operational existence for the foreseeable future. Financial statements are therefore prepared on the basis of going concern. This opinion is based on commitments made by the Shareholders as formalised in their adoption of the 2014 to 2019 Business Plan and based on commitments made by shareholders through their continuing relationship with the Company. This commitment is formalised with the Shareholders Agreement. The details of the services provided are included within the Business Services Agreement, which sets out the terms of service provision between UK SBS and its major customers.

1.3 New accounting standards and interpretations

There were no new or amended standards or interpretations adopted during the period covered by these financial statements that have a significant impact on the financial statements.

At the date of the approval of these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective.

- **IFRS 10**
Consolidated Financial Statements
- **IFRS 13**
Fair Value Measurement
- **IFRS 19 (as revised in 2011)**
Employee Benefits

The Company has considered the above new standards, interpretations and amendments to published standards that are not yet effective and concluded that they are either not relevant to the Company or that they would not have a significant impact on the Company's financial statements, apart from additional disclosures.

1.4 Revenue recognition

Revenue is recognised in the accounts at the point that it is earned through the delivery of services. Fees for the provision of continuing services are agreed with customers at the start of each financial year and are set at a level to cover the anticipated costs of service provision, but do not cover depreciation and amortisation. The cost of other activities is charged in arrears on a cost recovery basis.

Revenue is stated net of VAT where VAT is applicable.

1.5 Deferred revenue

From time-to-time, the Company may receive specific amounts of income in advance of making the expenditure the income is intended to cover. In such cases, the income is deferred and released as income in the period in which the relevant costs are recognised, including some relating to non-current assets, which is released as income over the useful life of the relevant assets. If no relevant costs are incurred, the Company refers to the provider of that income to gain permission to release any deferred income that is no longer required.

Deferred income is shown as liabilities in the statement of financial position.

1.6 Non-current assets and depreciation

The value of the Company's non-current assets is stated at cost less accumulated depreciation and impairment losses. Only those assets costing more than £3,000 and having an economic value to the Company beyond the year in which they were bought are capitalised. Where parts of an item have different useful lives, they are accounted for as separate assets.

Depreciation is applied on a straight line basis over the estimated useful economic lives of assets. Assets under construction are not depreciated. Depreciation methods, useful lives and residual values of non-current assets are reviewed at least at each balance sheet date. Donated assets are recorded at nil value.

1.6.1 Intangible non-current assets

Intangible assets relate to purchased software, software licences and certain system development costs.

1.6.2 Tangible non-current assets

Tangible assets include items such as IT hardware and fixture and fittings.

1.6.3 Estimated useful economic lives of non-current assets

The following estimated useful economic lives are used in the calculation of depreciation.

Tangible assets

Fixtures and fittings:	5 years
IT hardware:	5 years

Intangible assets

IT software:	5 years
IT development costs:	5 years

Intangible assets within the ERP and grants service delivery platform:

	7 years
--	---------

1.6.4 Impairment review

Depreciation methods, estimated useful economic lives and residual values of non-current assets are reviewed at least at each balance sheet date. Any resultant impairment charges are charged to the Statement of Comprehensive Income and the carrying value of the relevant non-current asset is reduced to the recoverable amount. The recoverable amount of an asset is the amount to be recovered through use or sale.

1.7 Financial instruments

The nature of the Company's activities and the method of its funding mean that the Company is not exposed to the degree of financial risk faced by non-public sector entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which IAS 32, 39 and IFRS 7 mainly apply. The Company has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Company in undertaking its activities.

Assets and liabilities have been accounted for at historic cost, which due to their nature, is not materially different from Fair Value.

1.8 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Current corporation tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to the tax payable in respect of previous years.

1.9 Deferred Tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Deferred tax assets are recognised to the extent that it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

1.10 Employee benefit costs

The main pension scheme used by employees of the Company is the Research Councils Pension Scheme (RCPS), which is a defined benefit government pension scheme. The Company's contributions to RCPS are defined contributions charged to the Income Statement in accordance with actuarial recommendations. The Company does not face actuarial gains or losses. Liabilities for the payment of future benefits are a charge on RCPS and are consequently not included in these financial statements.

1.11 VAT

Revenue is stated net of VAT where VAT is applicable. The Company has to comply with a limited partial recovery formula for VAT purposes. All expenditure and fixed asset purchases are shown inclusive of VAT where applicable. Residual input tax is therefore reclaimable by the application of the partial recovery formula and is taken as negative expenditure.

1.12 Operating leases

Amounts paid under the terms of operating leases are charged to the statement of comprehensive income on a straight-line basis over the term of the lease.

1.13 Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefit will be required to settle the obligation, and where the amount of the obligation can be reliably estimated.

2. Revenue, Cost of Sales, Administrative Expenses and Auditor's Remuneration

	2013/14	2012/13
2.1 Revenue		
Rendering of services	£'000	£'000
Department for Business, Innovation and Skills	49,361	15,616
Arts and Humanities Research Council	203	1,507
Biotechnology and Biological Sciences Research Council	950	6,584
Engineering and Physical Sciences Research Council	480	4,698
Economic and Social Research Council	241	1,852
Medical Research Council	1,174	8,618
Natural Environment Research Council	500	7,448
Science and Technology Facilities Council	608	6,857
Technology Strategy Board	604	608
Higher Education Funding Council for England	16	0
Revenue from related parties	54,137	53,788
Other Non-Departmental Public Bodies	147	482
Other Central Government Bodies	2,116	483
Other income	931	485
Total revenue 2013/14	57,331	55,238
2.2 Cost of sales		
The cost of sales relating to the above revenue is as follows:		
	2013/14	2012/13
	£'000	£'000
Cost of sales of continuing activities	58,038	59,303
2.3 Administrative expenses		
The administrative expenses within the Statement of Comprehensive Income are as follows:		
	2013/14	2012/13
	£'000	£'000
Payroll costs	5,376	3,146
Administrative costs	2,943	4,684
External audit	64	66
Total administrative expenses	8,383	7,896
2.4 Auditor's remuneration		
The analysis of external auditor's remuneration is as follows:		
	2013/14	2012/13
	£'000	£'000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	64	66
Total external audit fees	64	66

3. Employees and Directors

	2013/14 £'000	2012/13 £'000
Wages and salaries	24,317	20,884
Social security costs	1,945	1,590
Other pension costs	5,825	4,604
Restructuring costs	183	255
	32,270	27,333

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

	2013/14	2012/13
Average number of employees	867	750
Average number of full time equivalents	825	712

The employees' and directors' payroll costs are included within the cost of sales and administrative expenses disclosed in note 2.

Directors' remuneration is stated in the Remuneration Report.

4. Net Finance Income

	2013/14 £'000	2012/13 £'000
Finance income:		
Bank interest receivable	28	27

5. Loss before Income Tax

The loss before income tax is stated after charging:

	2013/14 £'000	2012/13 £'000
Depreciation – tangible assets	1,625	1,242
Amortisation – intangible assets	7,489	7,111
Impairment of intangible asset	0	3,751
External auditors' remuneration	64	66

6. Income Tax

There is no corporation or deferred tax to be recognised in these financial statements relating to the 12 month period ended 31 March 2014 because the company made a loss for accounting and tax purposes this financial year.

No deferred tax asset has been recognised as the Company is not likely to incur profits in the near future against which such assets may be offset.

7. Assets

	Software & licences £'000	PROPERTY, PLANT AND EQUIPMENT	Plant & machinery £'000
INTANGIBLE ASSETS			
COST			
At 1 April 2013	53,565	At 1 April 2013	7,482
Additions	5,630	Additions	1,627
At 31 March 2014	59,195	At 31 March 2014	9,109
AMORTISATION			
At 1 April 2013	23,776	At 1 April 2013	3,592
Amortisation for year	7,489	Charge for year	1,625
At 31 March 2014	31,265	At 31 March 2014	5,217
NET BOOK VALUE			
At 31 March 2014	27,930	At 31 March 2014	3,892
COST			
At 1 April 2012	53,399	At 1 April 2012	6,532
Additions	166	Additions	950
At 31 March 2013	53,565	At 31 March 2013	7,482
AMORTISATION			
At 1 April 2012	12,914	At 1 April 2012	2,350
Impairment	3,751	Charge for year	1,242
Amortisation for year	7,111		
At 31 March 2013	23,776	At 31 March 2013	3,592
NET BOOK VALUE			
At 31 March 2013	29,789	At 31 March 2013	3,890

Depreciation methods, useful lives and residual values of the non-current assets were reviewed by the Company as at 31 March 2014. All were thought to be appropriate and no adjustments or impairments necessary.

The Company currently delivers finance and HR/payroll services to the Research Councils using the original Oracle 12.0.6 platform and to BIS and other clients using the newer 12.1.3 platform. During 2014/15 the

Research Councils will be moved to a second version of 12.1.3 that has not incorporated all the changes built into the BIS version. As this second version of 12.1.3 will retain many features of the 12.0.6 platform the development of 12.0.6 is considered to still have lasting economic value and to not need impairment. The cost of the 12.0.6 development included above is £34.9m and the net book value as at 31 March 2014 was £16.0m.

8. Trade and Other Receivables

	2013/14 £'000	2012/13 £'000
Current		
Trade receivables and accrued income due from related parties	5,472	4,768
Other trade receivables	3,320	539
Prepayments and other accrued income	1,580	1,861
Excluding called up share capital not paid	10,372	7,168
Non Current		
Trade receivables due from related parties	51	51

9. Cash and Cash Equivalents

	2013/14 £'000	2012/13 £'000
Cash on deposit	0	1,500
Current cash and equivalents	3,134	8,136
	3,134	9,636

Cash and deposits comprises cash at bank and in hand plus short term deposits of £0k (2013 £1,500k) with a maturity date of six months or less from the date of acquisition.

10. Trade and Other Payables

	2013/14 £'000	2012/13 £'000
Current		
Other trade payables	1,161	690
Trade payables due to related parties	683	1,098
Non-trade payables and accrued expenses	5,073	6,375
Deferred Income	5,753	1,609
	12,670	9,772
Non Current		
Trade payables due to related parties	75	83
Deferred Income	5,274	3,971
	5,349	4,054

11. Provisions and Contingent Liabilities

	2013/14 £'000	2012/13 £'000
Provision for restructuring	0	113
Provision for potential liability to HMRC	0	173
	0	286

	Restructuring £'000	Potential liability to HMRC £'000
At 1 April 2013	113	173
Utilisation of provision	(113)	
Release of provision		(173)
At 31 March 2014	0	0

12. Leasing Agreements

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2013/14 £'000	2012/13 £'000
Within one year	393	360
Between one and five years	828	1,221
In more than five years	0	0
	1,221	1,581

13. Financial Instruments and Capital Risk Management

Risk management is carried out by the Executive Management Team (EMT) under the direction of the Board. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide benefits for shareholders and other stakeholders and to maintain an optimal capital structure.

In order to maintain or adjust the capital structure the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

Credit risk

The Company has credit risk in the form of receivables from its customer companies. These companies are all in the public sector, have an appropriate credit history and have undertaken to pay on agreed terms.

Liquidity risk

The Company evaluates and follows continuously the amount of liquid funds needed for business operations in order to secure the funding needed for business activities.

Cash flows and fair value interest rate risk

As the Company has no significant interest-bearing assets, the operating income and operating cash flows are substantially independent of changes in market interest rates.

Fair value

Assets and liabilities have been accounted for at historic cost, which due to their nature is not materially different from Fair Value.

14. Called Up Share Capital

Ownership of the Company

As at 31 March 2013, the shareholders of the Company were as below.

- The Department for Business, Innovation and Skills (BIS) held one Government Department (GD) Share carrying 51% of the votes controlling the company.
- The seven UK Research Councils, the Technology Strategy Board (TSB) and the Higher Education Funding Council for England (HEFCE) each held one Non Government Department (NGD) Share, together carrying 44% of the votes.

Share Capital

Allotted, issued and fully paid:

Number	Class	Nominal Value	2014	2013
			£	£
1	Government Dept	£1	1	1
9	Non Government Dept	£1	9	9
1	Employee Trust	£4	0	4
4	Deferred	£1	4	0
62,016,358	Non-Voting	£1	62,016,358	62,016,358
			62,016,372	62,016,372

- The UK SBS Employee Engagement Company Limited (UK SBS EEC) held one Employee Trust (ET) Share carrying 5% of the votes.
- The Department for Business, Innovation and Skills (BIS) also held 62,016,358 Non-Voting Shares. Holders of Non-Voting Shares are entitled to 100 per cent of the profits of the Company. The holders of GD, NGD, ET and Deferred shares have no right to dividends or to otherwise participate in the profits of the Company.

On 1 October 2013, the one Employee Trust Share was re-designated as 4 Deferred Shares of nominal value £1 each and transferred from UK SBS Employee Engagement Company Limited (UK SBS EEC) to BIS.

15. Employee Benefit Obligations

Pension plans

The Research Councils Pension Scheme (RCPS) is in all respects 'by-analogy' with the Principal Civil Service Pension Scheme, except that the employer's contribution is determined separately on the recommendation of the Government Actuary Department (GAD). It is a notionally funded, contributory, defined benefit scheme, and is administered by the Research Councils' Joint Superannuation Services. The Scheme's accounts are prepared by the Biotechnology and Biological Sciences Research Council (BBSRC) on behalf of the Chief Executive of BBSRC as Accounting Officer for RCPS.

The employer's contribution for those Company employees who participate in RCPS is agreed by RCPS Board of Management on the recommendation of the GAD and in 2013/2014 was set at 26% of pensionable pay.

The RCPS is a defined benefit scheme, which is a multi-employed defined benefit scheme of which UK SBS is unable to identify its share of the assets and liabilities. The RCPS prepares separate accounts and the contributions for 2013/14 were £4.1m (2012/13 £4.3m).

Some employees have retained alternative pension arrangements that originated with the research council from which they transferred. The Medical Research Council Pension scheme is a defined benefit scheme and the United Kingdom Atomic Energy Authority Scheme is a final salary scheme. For 2013/2014

the employer's contribution for these employees ranged between 12.9% and 26.0%.

UK SBS also offers a stakeholder pension which attracts age-related employer contributions between 3% and 12.5%. Additionally, any level of optional employee contributions is matched by a further employer contribution up to maximum of 3% of pensionable salary.

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the HM Treasury Financial Reporting Manual requires that "the period between formal actuarial valuations shall be four years, with approximate assessments in intervening years.

The last formal actuarial valuation undertaken for RCPS as at 31 March 2006 was completed in 2008/09. Consequently, a formal actuarial valuation as at 31 March 2010 was initiated but was not expected to be completed at 31 March 2014.

Subsequently however, formal actuarial valuations for unfunded public service pension schemes have been suspended by HM Treasury on value for money grounds, while consideration is given to recent changes to public service pensions and while future scheme terms are developed as part of the reforms to public service pension provision. The primary purpose of the formal actuarial valuations is to set employer and employee contribution rates, and these are currently being determined under the new scheme design.

16. Related Parties

The revenue from related parties is detailed in note 2.

Expenditure with related parties during the year was as follows	2013/14 £'000	2012/13 £'000
Department for Business, Innovation and Skills	73	0
Arts & Humanities Research Council	0	0
Biotechnology and Biological Sciences Research Council	1,007	2,454
Engineering and Physical Sciences Research Council	359	642
Economic and Social Research Council	0	0
Medical Research Council	61	556
Natural Environment Research Council	0	158
Science and Technology Facilities Council	67	105
Technology Strategy Board	0	0
Higher Education Funding Council for England	0	0
	1,567	3,915

Period end debtor and creditor balances with the related research councils are as follows

Trade receivables and accrued income:	2013/14 £'000	2012/13 £'000
Due within 1 year:		
Department for Business, Innovation and Skills	3,398	3,542
Arts & Humanities Research Council	49	26
Biotechnology and Biological Sciences Research Council	596	474
Engineering and Physical Sciences Research Council	158	108
Economic and Social Research Council	29	8
Medical Research Council	571	349
Natural Environment Research Council	159	152
Science and Technology Facilities Council	178	16
Technology Strategy Board	334	93
Higher Education Funding Council for England	0	0
	5,472	4,768
Due over 1 year:		
Research Council Pension Scheme	51	51

Trade payables and accruals:	2013/14 £'000	2012/13 £'000
Department for Business, Innovation and Skills	0	0
Arts & Humanities Research Council	0	0
Biotechnology and Biological Sciences Research Council	576	532
Engineering and Physical Sciences Research Council	0	269
Economic and Social Research Council	0	0
Medical Research Council	107	215
Natural Environment Research Council	0	0
Science and Technology Facilities Council	0	0
Research Council Pension Scheme	75	82
Technology Strategy Board	0	0
Higher Education Funding Council for England	0	0
	758	1,098

17. Reconciliation of Loss Before Income Tax to Cash Generated From Operations

Related Party Disclosures

The Company is a separate legal entity, wholly owned by several customers, providing services to multiple customers, and organised and run on a commercial basis. Transactions with related parties take place on an arm's-length basis. The Company is deemed to be a state-controlled entity because the only shareholders are publicly-owned entities.

On 6 March 2013, the ownership and governance of the Company changed as detailed in note 14.

The shareholders at 31 March 2014 are the Department for Business, Innovation and Skills (BIS), the seven UK Research Councils, the Technology Strategy Board (TSB) and the Higher Education Funding Council for England (HEFCE).

The Department for Business, Innovation and Skills (BIS) is the ultimate controlling party of the Company.

The related parties tables have details only of balances and transactions with shareholders and the RCPS Pension Scheme. Tim Knighton, a Non-Executive Director, is Chief Operating Officer of the Intellectual Property Office, to which UK SBS sold services to the value of £431k during 2013/14 (£0 in 2012/13) that are not disclosed in the above related parties tables. Jonathan Preece (CEO) is a Vice President of the Institute of Customer Service, from which UK SBS bought services to the value of £5k during 2013/14 (£3k in 2012/13) that are not disclosed in the above related parties tables.

17. Reconciliation of Loss Before Income Tax to Cash Generated From Operations

	2013/14 £'000	2012/13 £'000
Loss before income tax	(9,062)	(11,934)
Depreciation and amortisation charges	9,114	8,353
Impairment of intangible asset	0	3,751
Finance income	(28)	(27)
	24	143
(Increase)/Decrease in trade and other receivables	(3,204)	(4,882)
(Decrease)/Increase in trade and other payables	4,193	828
	1,013	(3,911)
Cash generated from operations	1,013	(3,911)

18. Interests in Subsidiaries

During 2012/13 the Company purchased a subsidiary in order to secure a company name and it later exchanged names with the subsidiary. Therefore the Company has the following non-trading subsidiary, which has no income or expenditure.
Name: RCUK Shared Services Centre Ltd
Registered number: 8317077, registered in England and Wales

19. Events after the reporting period

In April 2014 the company designed and launched a Voluntary Exit (VE) scheme for employees in all locations in order to meet reductions in income for 2014/15 and to prepare for expected reductions in later years. This VE scheme is expected to result in approximately 100 employees leaving the organisation. A second VE scheme was launched in August 2014, again to support the company in balancing its budget for 2014/15 and 2015/16.



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UK Shared Business Services Ltd (UK SBS)
Registered in England and Wales as a limited company. Company Number 6330639.
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