# Financial Statements

## Essex Cares Limited

**For the Year Ended 31 March 2017**

**Registered number: 06723149**

# Company Information

| | |
|---|---|
| **Directors** | P W George<br>K Lynch<br>P J Martin<br>W Thomas<br>G Benn<br>J T Coogan |
| **Company secretary** | A L Brown |
| **Registered number** | 06723149 |
| **Registered office** | Seax House<br>Victoria Road South<br>Chelmsford<br>Essex<br>CM1 1QH |
| **Independent auditor** | Grant Thornton UK LLP<br>Chartered Accountants & Statutory Auditor<br>Priory Place<br>New London Road<br>Chelmsford<br>Essex<br>CM2 0PP |

# Contents

# Group Strategic Report

**For the Year Ended 31 March 2017**

## Principal activities

The principal activities of the Company and the Group are those of providing social care and associated products and services.

## Business review

2016/17 was a year of transition for the Company and the Group. The agreement of a new five year strategy for Essex Cares Limited (ECL) by the Board, Shareholder and Commissioner presented a new vision for the Company and direction for how the Company works with its parent company, Essex County Council (ECC). To this end we have achieved a £460k profit for the year, compared to a loss of £3.58m for the previous year.

The Health and Social Care system has continued to face significant challenges as a result of reduced funding and increasing demand. Over the past year ECL has demonstrated it is an ethical and innovative partner who has been able to use its capabilities to create sustainable system savings. The relationship with ECC has matured to a position where ECL is securing direct award contracts; proving there is confidence in the company's ability to provide quality and good value services.

Significant streamlining of overheads in the organisation this year has been achieved through reorganisation amongst the operational divisions and the corporate support services. A saving of £2.4m year on year in the central support services has reduced the corporate overhead by 34%. The level of commercial and financial understanding has increased in the regions enabling more effective business decisions being made closer to the frontline. However, the implementation of a new finance system by ECC has caused significant reporting issues for ECL throughout the year and at year end.

Three contract extension decisions were made by commissioners this year; Work & Wellbeing (Day Opportunities), Equipment Services and West Sussex Regaining Independence Service. ECL piloted a new Consumer Business, EVIDA, in the South West of Essex and a reablement service with Castle Point and Rochford Clinical Commissioning Group which was concluded in February 2017.

ECL was successful in winning its first multi-million pound contract for a new service through direct award from ECC in March 2017. The £21.5m Short Term Support in the Community service was developed in collaboration with ECC commissioners and has garnered some interest from Health commissioners. The contract commenced in July with a successful mobilisation, and is due to ramp up in capacity and referrals through to November 2017.

Outside of Essex, the West Sussex contract has continued to perform well, although in the earlier part of the year it struggled with recruitment in the region to meet the demand. Recognition of ECL's track record in West Sussex has resulted in the successful re-tender of the contract that will commence from December 2017.

Investment has been made to the Walter Boyce Wellbeing Hub to provide a positive, caring environment to those with higher-need learning disabilities. This resource is an asset to both ECL and the wider community and is the start of a wider refurbishment programme over the next five years as we continue dialogue with ECC following the direct award of the Work, Participation & Wellbeing contract commencing for years in October 2017.

Whilst the financial position for ECL remains challenging in 2017/18 due to managing out historical issues, confidence in the prospects of the company is growing. The opportunities presented to the company in the coming year will further the stabilisation of the financial position and advance the progression of the company towards its 2021 vision.

# Group Strategic Report
**For the Year Ended 31 March 2017**

## Principal risks and uncertainties

The risks that the Company faces in the next financial period are to ensure that we can remain sustainable within our existing contracts, and to ensure that any new ventures are to the benefit of both the Company and the customer. The second year of the Work, Participation & Wellbeing contract, drops to session pricing in October 2018, as opposed to block although as there are no signs that volume is dropping in the short term, we have to be mindful of concentrating on obtaining as much private funder income as possible.

## Financial key performance indicators

KPI's for the financial year 2016/17 show that sales levels have reduced from £40.47m to £34.67m, a reduction of 14.3%. This is due to the loss of four of the five Reablement contracts in Essex. Net Operating Profit Margin however, has increased from (9.0)% in 2015/16 to 1.1% in 2016/17 which is considered to be a reflection of a much more successful trading year and operating cost efficiencies within the business.

Current ratio compared to the prior year has decreased from 1.03 to 0.91 but this is due to ECC debtor payments being held up whilst a dispute was being settled at that time.

Employee Costs have fallen as an absolute value between 2015/16 and 2106/17 but as a percentage of revenue, increased from 44.0% to 45.5%, although this has been necessary to ensure that more efficiencies have been realised to the overall contracts.

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

**K Lynch**
Director

# Directors' Report
**For the Year Ended 31 March 2017**

The directors present their report and the financial statements for the year ended 31 March 2017.

## Results and dividends

The profit for the year, after taxation, amounted to £460,213 (2016 - loss £3,584,626).

## Directors

The directors who served during the year were:

P W George
K Lynch
P J Martin
W Thomas
G Benn
J T Coogan (appointed 15 August 2016)
K Blair (resigned 26 August 2016)
M Fitzgerald (resigned 17 June 2016)
R G Walters (resigned 31 March 2017)
G D Cochrane (resigned 7 November 2016)

## Future developments

The negotiations for organising the Work, Participation and Wellbeing contract are being finalised, after Essex County Council Cabinet approval in September 2017, including a transformation programme of different buildings utilised in the Essex Cares Limited and Essex County Council portfolio. Contract negotiations to amend the structure of the current Equipment contract that we are operating on a rolling basis at the time of these accounts is continuing with a plan for this to be operational from 1st January 2018. Any further contract plans that are outside the scope of Essex County Council direct awards are not considered appropriate to disclose due to the commercially sensitive nature of these.

# Directors' Report (continued)
**For the Year Ended 31 March 2017**

### Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

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

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Employee involvement

The group has established a strong practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the group. The directors have established an employee forum in order to further enhance employee involvement. This has started successfully and is attended by directors to ensure that feedback is acted upon. In addition there are annual employee roadshows and regular newsletters.

### Disabled employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the group may continue.

It is the policy of the company that training, career development and promotion opportunities should be available to all employees.

Essex Cares Limited is an equal opportunities employer.

# Directors' Report (continued)
**For the Year Ended 31 March 2017**

## Disclosure of information to auditor

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

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

## Post balance sheet events

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

## Auditor

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

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

**K Lynch**
Director

# Independent Auditor's Report to the Members of Essex Cares Limited

We have audited the financial statements of Essex Cares Limited for the year ended 31 March 2017, which comprise the Group Statement of Comprehensive Income, the Group and Company Statements of Financial Position, the Group Statement of Cash Flows, the Group and Company Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is the applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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

## Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 March 2017 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

# Independent Auditor's Report to the Members of Essex Cares Limited (continued)

### Opinion on other matters prescribed by the Companies Act 2006

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

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

### Matters on which we are required to report under the Companies Act 2006

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

### Matters on which we are required to report by exception

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

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

Paul Dearsley ACA FCCA (Senior Statutory Auditor)
for and on behalf of
Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
Chelmsford
Date:

# Consolidated Statement of Comprehensive Income

**For the Year Ended 31 March 2017**

| | Note | 2017 £ | 2016 £ |
|---|---|---|---|
| Turnover | | **34,673,357** | 40,474,679 |
| Cost of sales | | **(11,631,021)** | (11,932,406) |
| **Gross profit** | | **23,042,336** | 28,542,273 |
| Administrative expenses | | **(22,665,363)** | (32,184,160) |
| **Operating profit/(loss)** | 5 | **376,973** | (3,641,887) |
| Interest receivable and similar income | 9 | **-** | 7,735 |
| Interest payable and expenses | 10 | **(22,760)** | (27,474) |
| Other finance income | | **106,000** | 77,000 |
| **Profit/(loss) before taxation** | | **460,213** | (3,584,626) |
| **Profit/(loss) for the financial year** | | **460,213** | (3,584,626) |
| Actuarial losses on defined benefit pension scheme | | **(939,000)** | (410,000) |
| **Other comprehensive income for the year** | | **(939,000)** | (410,000) |
| **Total comprehensive income for the year** | | **(478,787)** | (3,994,626) |
| Attributable to owners of the parent Company | | **(478,787)** | (3,994,626) |
| | | **(478,787)** | (3,994,626) |

There were no recognised gains and losses for 2017 or 2016 other than those included in the consolidated statement of comprehensive income.

The notes on pages 14 to 39 form part of these financial statements.

# Consolidated Statement of Financial Position

**As at 31 March 2017**

| | Note | | 2017 £ | | 2016 £ |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Intangible assets | 14 | | **222,566** | | 145,965 |
| Tangible assets | 15 | | **1,065,321** | | 1,255,982 |
| | | | **1,287,887** | | 1,401,947 |
| **Current assets** | | | | | |
| Stocks | 17 | **1,036,396** | | 1,961,142 | |
| Debtors: amounts falling due after more than one year | 18 | **100** | | 100 | |
| Debtors: amounts falling due within one year | 18 | **8,096,178** | | 5,162,483 | |
| Cash at bank and in hand | 19 | **16,548** | | 2,685,727 | |
| | | **9,149,222** | | 9,809,452 | |
| Creditors: amounts falling due within one year | 20 | **(10,108,781)** | | (9,512,737) | |
| **Net current (liabilities)/assets** | | | **(959,559)** | | 296,715 |
| **Total assets less current liabilities** | | | **328,328** | | 1,698,662 |
| Creditors: amounts falling due after more than one year | 21 | | **-** | | (488,327) |
| **Provisions for liabilities** | | | | | |
| Other provisions | 23 | | **(255,526)** | | (279,746) |
| **Net assets excluding pension asset** | | | **72,802** | | 930,589 |
| Pension asset | | | **1,039,000** | | 660,000 |
| **Net assets** | | | **1,111,802** | | 1,590,589 |
| **Capital and reserves** | | | | | |
| Called up share capital | 24 | | **100** | | 100 |
| Profit and loss account | 25 | | **1,111,702** | | 1,590,489 |
| **Equity attributable to owners of the parent Company** | | | **1,111,802** | | 1,590,589 |

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

**K Lynch**
Director

The notes on pages 14 to 39 form part of these financial statements.

# Company Statement of Financial Position

**As at 31 March 2017**

| | Note | | 2017 £ | | 2016 £ |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Intangible assets | 14 | | **222,566** | | 145,965 |
| Tangible assets | 15 | | **1,065,321** | | 1,255,982 |
| Investments | 16 | | **300** | | 300 |
| | | | **1,288,187** | | 1,402,247 |
| **Current assets** | | | | | |
| Stocks | 17 | **1,036,396** | | 1,961,142 | |
| Debtors: amounts falling due after more than one year | 18 | **100** | | 100 | |
| Debtors: amounts falling due within one year | 18 | **8,734,174** | | 5,800,488 | |
| Cash at bank and in hand | 19 | **16,548** | | 2,685,727 | |
| | | **9,787,218** | | 10,447,457 | |
| Creditors: amounts falling due within one year | 20 | **(10,109,081)** | | (9,513,046) | |
| **Net current (liabilities)/assets** | | | **(321,863)** | | 934,411 |
| **Total assets less current liabilities** | | | **966,324** | | 2,336,658 |
| Creditors: amounts falling due after more than one year | 21 | | **-** | | (488,327) |
| **Provisions for liabilities** | | | | | |
| Other provisions | 23 | | **(255,526)** | | (279,746) |
| **Net assets excluding pension asset** | | | **710,798** | | 1,568,585 |
| Pension asset | | | **41,006** | | 59,006 |
| **Net assets** | | | **751,804** | | 1,627,591 |
| **Capital and reserves** | | | | | |
| Called up share capital | 24 | | **100** | | 100 |
| Profit and loss account | 25 | | **751,704** | | 1,627,491 |
| | | | **751,804** | | 1,627,591 |

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

**K Lynch**
Director

The notes on pages 14 to 39 form part of these financial statements.

# Consolidated Statement of Changes in Equity
**For the Year Ended 31 March 2017**

| | Called up share capital | Profit and loss account | Total equity |
|---|---|---|---|
| | £ | £ | £ |
| At 1 April 2016 | 100 | 1,590,489 | 1,590,589 |
| **Comprehensive income for the year** | | | |
| Profit for the year | - | 460,213 | 460,213 |
| Actuarial losses on pension scheme | - | (939,000) | (939,000) |
| **Other comprehensive income for the year** | - | (939,000) | (939,000) |
| **Total comprehensive income for the year** | - | (478,787) | (478,787) |
| **At 31 March 2017** | 100 | 1,111,702 | 1,111,802 |

The notes on pages 15 to 39 form part of these financial statements.

# Consolidated Statement of Changes in Equity
**For the Year Ended 31 March 2016**

| | Called up share capital | Profit and loss account | Total equity |
|---|---|---|---|
| | £ | £ | £ |
| At 1 April 2015 | 100 | 5,585,115 | 5,585,215 |
| **Comprehensive income for the year** | | | |
| Loss for the year | - | (3,584,626) | (3,584,626) |
| Actuarial losses on pension scheme | - | (410,000) | (410,000) |
| **Other comprehensive income for the year** | - | (410,000) | (410,000) |
| **Total comprehensive income for the year** | - | (3,994,626) | (3,994,626) |
| **At 31 March 2016** | 100 | 1,590,489 | 1,590,589 |

The notes on pages 14 to 39 form part of these financial statements.

# Company Statement of Changes in Equity
**For the Year Ended 31 March 2017**

| | Called up share capital | Profit and loss account | Total equity |
|---|---|---|---|
| | £ | £ | £ |
| At 1 April 2016 | 100 | 1,627,491 | 1,627,591 |
| **Comprehensive income for the year** | | | |
| Loss for the year | - | (936,787) | (936,787) |
| Actuarial gains on pension scheme | - | 61,000 | 61,000 |
| **Other comprehensive income for the year** | - | 61,000 | 61,000 |
| **Total comprehensive income for the year** | - | (875,787) | (875,787) |
| **At 31 March 2017** | 100 | 751,704 | 751,804 |

The notes on pages 15 to 39 form part of these financial statements.

# Company Statement of Changes in Equity
**For the Year Ended 31 March 2016**

| | Called up share capital | Profit and loss account | Total equity |
|---|---|---|---|
| | £ | £ | £ |
| At 1 April 2015 | 100 | 4,187,118 | 4,187,218 |
| **Comprehensive income for the year** | | | |
| Loss for the year | - | (2,863,627) | (2,863,627) |
| Actuarial gains on pension scheme | - | 304,000 | 304,000 |
| **Other comprehensive income for the year** | - | 304,000 | 304,000 |
| **Total comprehensive income for the year** | - | (2,559,627) | (2,559,627) |
| **At 31 March 2016** | 100 | 1,627,491 | 1,627,591 |

The notes on pages 14 to 39 form part of these financial statements.

# Consolidated Statement of Cash Flows

**For the Year Ended 31 March 2017**

| | 2017 £ | 2016 £ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit/(loss) for the financial year | **460,213** | (3,584,626) |
| **Adjustments for:** | | |
| Amortisation of intangible assets | **133,662** | 58,800 |
| Depreciation of tangible assets | **258,039** | 241,070 |
| Interest paid | **22,760** | 27,474 |
| Interest received | **-** | (84,735) |
| Decrease/(increase) in stocks | **924,746** | (723,271) |
| (Increase) in debtors | **(2,933,695)** | (641,734) |
| Decrease/(increase) in amounts owed by related entities | **-** | (313,884) |
| (Decrease)/increase in creditors | **(493,570)** | 3,452,307 |
| (Decrease) in provisions | **(24,220)** | (76,704) |
| Increase in net pension assets/liabilities | **(1,318,000)** | 688,000 |
| Corporation tax received | **-** | 38,470 |
| **Net cash generated from operating activities** | **(2,970,065)** | (918,833) |
| **Cash flows from investing activities** | | |
| Purchase of intangible fixed assets | **(210,263)** | (167,473) |
| Purchase of tangible fixed assets | **(677,787)** | (197,442) |
| Interest received | **-** | 84,735 |
| **Net cash from investing activities** | **(888,050)** | (280,180) |
| **Cash flows from financing activities** | | |
| Interest paid | **(22,760)** | (27,474) |
| **Net cash used in financing activities** | **(22,760)** | (27,474) |
| **Net (decrease) in cash and cash equivalents** | **(3,880,875)** | (1,226,487) |
| Cash and cash equivalents at beginning of year | **2,685,727** | 3,912,214 |
| **Cash and cash equivalents at the end of year** | **(1,195,148)** | 2,685,727 |
| **Cash and cash equivalents at the end of year comprise:** | | |
| Cash at bank and in hand | **16,548** | 2,685,727 |
| Bank overdrafts | **(1,211,696)** | - |
| | **(1,195,148)** | 2,685,727 |

The notes on pages 14 to 39 form part of these financial statements.

# Notes to the Financial Statements

**For the Year Ended 31 March 2017**

## 1. General information

Essex Cares Limited is a private company, limited by shares, incorporated in England. The registered office is Seax House, Victoria Road South, Chelmsford, Essex, CM1 1QH.

The company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Company and Group for the year ended 31 March 2017.

Company registered number: 06723149.

## 2. Accounting policies

### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The financial statements are prepared in sterling which is the functional currency of the company and are rounded to the nearest £.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The following principal accounting policies have been applied:

### 2.2 Basis of consolidation

The consolidated financial statements present the results of Group and its own subsidiaries ("the Group") as they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained.

# Notes to the Financial Statements
**For the Year Ended 31 March 2017**

## 2. Accounting policies (continued)

### 2.3 Going concern

The group has access to an agreed borrowing facility with Essex County Council, its parent entity. The agreement is renewed annually to March, and the directors have received confirmation that the parent company is not aware of any reasons as to why the facility would not be renewed beyond March 2017. The directors have prepared their budget and cashflow forecasts on this basis.

In preparing the budget and cashflow forecasts, the directors acknowledge that the working capital cycle is reliant upon the payment and receipt of amounts owed to, and due from, Essex County Council. In light of this, the directors have obtained assurance from Essex County Council that balances due will not be required without the payment of amounts owed to the group, enabling the group to meet liabilities as they fall due.

Within the business, contracts with partners are either continuing or in the process of being renewed, and scenario analysis has been undertaken within management's five-year plan for those contracts that are yet to be renewed.

On the basis of the above, the directors consider it is appropriate to prepare the financial statements on a going concern basis.

### 2.4 Revenue

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

At the Essex Equipment Service division, turnover represents sales of equipment to third parties net of the cost of buying the equipment back. In addition, there is also the recognition of ancillary handling and transit charges. Refurbishment charges are recognised and scrappage is borne at the cost of the third party.

### 2.5 Intangible assets

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

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Amortisation is provided on the following bases:

| | | |
|---|---|---|
| Software | - | 33% straight line |

Amortisation is charge to the statement of comprehensive income and included within adminstrative expenses.

# Notes to the Financial Statements
**For the Year Ended 31 March 2017**

## 2. Accounting policies (continued)

### 2.6 Tangible fixed assets

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

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

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

Depreciation is provided on the following basis:

| | |
|---|---|
| L/Term Leasehold Property | - 10 years straight line |
| Plant & machinery | - 2 to 10 years straight line |
| Fixtures & fittings | - 5 years straight line |
| Office equipment | - 5 years straight line |

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

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

### 2.7 Operating leases: the Group as lessee

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

### 2.8 Valuation of investments

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

### 2.9 Stocks

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

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

# Notes to the Financial Statements

**For the Year Ended 31 March 2017**

## 2. Accounting policies (continued)

### 2.10 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

### 2.11 Cash and cash equivalents

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

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

# Notes to the Financial Statements

**For the Year Ended 31 March 2017**

## 2. Accounting policies (continued)

### 2.12 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

### 2.13 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

### 2.14 Finance costs

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

# Notes to the Financial Statements
**For the Year Ended 31 March 2017**

## 2. Accounting policies (continued)

### 2.15 Pensions

**Defined benefit pension plan**

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

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

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

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Group's policy for similarly held assets. This includes the use of appropriate valuation techniques.

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

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

a) the increase in net pension benefit liability arising from employee service during the period; and

b) the cost of plan introductions, benefit changes, curtailments and settlements.

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

### 2.16 Interest income

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

# Notes to the Financial Statements
**For the Year Ended 31 March 2017**

## 2. Accounting policies (continued)

### 2.17 Provisions for liabilities

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

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

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

### 2.18 Taxation

Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

# Notes to the Financial Statements
**For the Year Ended 31 March 2017**

## 3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements have had the most significant effect on amounts recognised in the financial statements:

**Bad Debt Provision**

Essex Cares Limited management have decided not to provide for bad debt at the end of the year, with regards to trading debtors and also payroll debtors, as a result of payroll errors throughout the year. The view is that Essex Cares Limited pay Essex County Council an amount via a service level agreement each year for credit control and debt collection. It is the view of the management that any failure to collect on outstanding amounts should be borne by the supplier of the credit control service. As such, as processes continue to be put in place to chase all debts, it is the view of management that this will be recovered.

**Stock provision**

Essex Cares Limited management have made a judgement to not provide for stock obsolescence at the end of the year. It is the view of the service that all stock will be traded through the Equipment service via different avenues such as the new retail pathway that is being created with partners and end users. Whilst this presents a risk for Essex Cares Limited, management are satisfied that a solution will be sought other than a bulk obsolescence charge to the expenses.

**Defined benefit pension schemes**

The Company has a Defined Benefit Pension scheme which has a number of inputs into the valuation. Note 25 shows the assumptions used in arriving at the valuation disclosed. The cost of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty.

# Notes to the Financial Statements

**For the Year Ended 31 March 2017**

## 4. Analysis of turnover

Analysis of turnover by business area:

| | 2017 £ | 2016 £ |
|---|---|---|
| Mid Essex | **4,092,912** | 5,452,598 |
| North Essex | **3,177,727** | 5,115,641 |
| South Essex | **6,396,126** | 7,241,758 |
| West Essex | **3,561,876** | 4,416,517 |
| West Sussex | **2,190,534** | 1,914,761 |
| Sensory | **606,967** | 591,147 |
| Essex Equipment Services Limited | **14,426,119** | 14,833,666 |
| Other | **221,096** | 908,591 |
| | **34,673,357** | 40,474,679 |

## 5. Operating profit/(loss)

The operating profit/(loss) is stated after charging:

| | 2017 £ | 2016 £ |
|---|---|---|
| Depreciation of tangible fixed assets | **258,040** | 241,071 |
| Amortisation of intangible assets, including goodwill | **133,662** | 58,800 |
| Other operating lease rentals | **1,361,338** | 1,675,487 |
| Defined benefit pension cost | **1,357,163** | 1,086,025 |

## 6. Auditor's remuneration

| | 2017 £ | 2016 £ |
|---|---|---|
| Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements | **57,000** | 42,000 |

### Fees payable to the Group's auditor and its associates in respect of:

| | 2017 £ | 2016 £ |
|---|---|---|
| Other services relating to taxation | **4,850** | 4,750 |
| All other services | **-** | 21,110 |
| | **4,850** | 25,860 |

# Notes to the Financial Statements
**For the Year Ended 31 March 2017**

## 7. Employees

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

| | 2017 £ | 2016 £ |
|---|---|---|
| Wages and salaries | **12,583,838** | 15,687,704 |
| Social security costs | **1,844,388** | 1,015,015 |
| Staff pension costs - defined benefit schemes | **1,357,163** | 1,086,025 |
| | **15,785,389** | 17,788,744 |

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

| | 2017 No. | 2016 No. |
|---|---|---|
| Frontline staff | **516** | 542 |
| Support staff | **168** | 301 |
| Managerial staff | **70** | 108 |
| | **754** | 951 |

## 8. Directors' remuneration

| | 2017 £ | 2016 £ |
|---|---|---|
| Directors' emoluments | **499,921** | 474,025 |
| | **499,921** | 474,025 |

During the year retirement benefits were accruing to 3 directors (2016 - 5) in respect of defined benefit pension schemes.

The highest paid director received remuneration of £149,500 (2016 - £114,578).

# Notes to the Financial Statements
**For the Year Ended 31 March 2017**

## 8. Directors' remuneration (continued)

During 2017, £50,000 (2016: £296,379) was payable to one director (2016: one) as compensation for loss of office.

The Board have chosen to disclose the remuneration of key individuals (as defined by the Board), beyond the requirements of the Companies Act 2006. The below is therefore intended to show individual remuneration of directors as defined by the Companies Act 2006, and then of additional key individuals.

| | 2017 £ | 2016 £ |
|---|---|---|
| **Directors as per Companies House** | | |
| Mr G Benn | **18,000** | 9,000 |
| Mr K Blair (resigned 26 August 2016) | **37,902** | 65,782 |
| Mr M Fitzgerald (resigned 17 June 2016) | **22,833** | 114,862 |
| Mr P W George | **18,000** | 18,000 |
| Mr K Lynch | **149,500** | 38,773 |
| Mr P J Martin | **31,000** | 31,000 |
| Ms W Thomas | **92,500** | 102,114 |
| Mr R G Walters (resigned 31 March 2017) | **18,000** | 18,000 |
| Ms E J Chidgey (resigned 10 September 2015) | **-** | 89,683 |
| J T Coogan | **76,575** | - |
| G D Cochrane (resigned 7 November 2016) | **36,365** | - |
| **Total: Directors per Companies House** | **500,675** | 487,214 |
| **Additional key individuals** | | |
| Mr B Greenberry | **-** | 17,869 |
| Mr J Lappin | **-** | 11,700 |
| **Total: Additional key individuals** | **-** | 29,569 |

## 9. Interest receivable

| | 2017 £ | 2016 £ |
|---|---|---|
| Other interest receivable | **-** | 7,735 |

## 10. Interest payable and similar charges

| | 2017 £ | 2016 £ |
|---|---|---|
| Loans from related entities | **22,760** | 27,474 |

# Notes to the Financial Statements

**For the Year Ended 31 March 2017**

## 11. Other finance costs

| | 2017 | 2016 |
|---|---|---|
| | £ | £ |
| Net interest on net defined benefit scheme | **106,000** | 77,000 |

## 12. Taxation

| | 2017 | 2016 |
|---|---|---|
| | £ | £ |
| **Total current tax** | **-** | - |
| **Deferred tax** | | |
| **Total deferred tax** | **-** | - |
| **Taxation on profit on ordinary activities** | **-** | - |

### Factors affecting tax charge for the year

The tax assessed for the year is lower than (2016 - higher than) the standard rate of corporation tax in the UK of 20% (2016 - 20%). The differences are explained below:

| | 2017 | 2016 |
|---|---|---|
| | £ | £ |
| Profit on ordinary activities before tax | **460,213** | (3,584,626) |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2016 - 20%) | **92,043** | (716,925) |
| **Effects of:** | | |
| Expenses not deductible for tax purposes, other than goodwill amortisation and impairment | **(173,932)** | 321,957 |
| Deferred tax not recognised | **81,464** | 368,893 |
| Other differences leading to an increase (decrease) in the tax charge | **425** | 26,075 |
| **Total tax charge for the year** | **-** | - |

### Factors that may affect future tax charges

There will be a further reduction in the main rate of corporation tax to 19% effective from 1 April 2017 and then a further reduction in the rate to 18% effective from 1 April 2020.

# Notes to the Financial Statements
**For the Year Ended 31 March 2017**

## 13. Parent Company loss for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The loss after tax of the parent Company for the year was £936,787 (2016 - loss £2,863,626).

## 14. Intangible assets

**Group**

| | Computer software £ |
|---|---|
| **Cost** | |
| At 1 April 2016 | **710,726** |
| Additions | **210,262** |
| At 31 March 2017 | **920,988** |
| **Amortisation** | |
| At 1 April 2016 | **564,760** |
| Charge for the year | **133,662** |
| At 31 March 2017 | **698,422** |
| **Net book value** | |
| At 31 March 2017 | **222,566** |
| At 31 March 2016 | 145,966 |

# Notes to the Financial Statements
**For the Year Ended 31 March 2017**

## 14. Intangible assets (continued)

**Company**

| | Computer software £ |
|---|---|
| **Cost** | |
| At 1 April 2016 | **710,726** |
| Additions | **210,262** |
| At 31 March 2017 | **920,988** |
| **Amortisation** | |
| At 1 April 2016 | **564,760** |
| Charge for the year | **133,662** |
| At 31 March 2017 | **698,422** |
| **Net book value** | |
| At 31 March 2017 | **222,566** |
| At 31 March 2016 | 145,966 |

# Notes to the Financial Statements

**For the Year Ended 31 March 2017**

## 15. Tangible fixed assets

**Group**

| | L/Term Leasehold Property £ | Plant & machinery £ | Fixtures & fittings £ | Office equipment £ | Total £ |
|---|---|---|---|---|---|
| **Cost or valuation** | | | | | |
| At 1 April 2016 | 610,409 | 409,274 | 901,050 | 144,074 | 2,064,807 |
| Additions | - | 21,102 | 14,199 | 32,077 | 67,378 |
| At 31 March 2017 | 610,409 | 430,376 | 915,249 | 176,151 | 2,132,185 |
| **Depreciation** | | | | | |
| At 1 April 2016 | 61,041 | 291,803 | 352,818 | 103,163 | 808,825 |
| Charge for the period on owned assets | 33,206 | 34,546 | 173,092 | 17,195 | 258,039 |
| At 31 March 2017 | 94,247 | 326,349 | 525,910 | 120,358 | 1,066,864 |
| **Net book value** | | | | | |
| At 31 March 2017 | 516,162 | 104,027 | 389,339 | 55,793 | 1,065,321 |
| At 31 March 2016 | 549,368 | 117,471 | 548,232 | 40,911 | 1,255,982 |

# Notes to the Financial Statements

**For the Year Ended 31 March 2017**

## 15. Tangible fixed assets (continued)

**Company**

| | L/Term Leasehold Property £ | Plant & machinery £ | Fixtures & fittings £ | Office equipment £ | Total £ |
|---|---|---|---|---|---|
| **Cost or valuation** | | | | | |
| At 1 April 2016 | 610,409 | 409,274 | 901,050 | 144,074 | 2,064,807 |
| Additions | - | 21,102 | 14,199 | 32,077 | 67,378 |
| At 31 March 2017 | 610,409 | 430,376 | 915,249 | 176,151 | 2,132,185 |
| **Depreciation** | | | | | |
| At 1 April 2016 | 61,041 | 291,803 | 352,818 | 103,163 | 808,825 |
| Charge for the period on owned assets | 33,206 | 34,546 | 173,092 | 17,195 | 258,039 |
| At 31 March 2017 | 94,247 | 326,349 | 525,910 | 120,358 | 1,066,864 |
| **Net book value** | | | | | |
| At 31 March 2017 | 516,162 | 104,027 | 389,339 | 55,793 | 1,065,321 |
| At 31 March 2016 | 549,368 | 117,471 | 548,232 | 40,911 | 1,255,982 |

# Notes to the Financial Statements
**For the Year Ended 31 March 2017**

## 16. Fixed asset investments

**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

| Name | Class of shares | Holding | Principal activity |
|---|---|---|---|
| Essex Equipment Services Limited | Ordinary | 100% | Employment of staff |
| Essex Community Support Limited | Ordinary | 100% | Employment of staff |
| Essex Employment and Inclusion Limited | Ordinary | 100% | Employment of staff |
| ECL Trading Limited | Ordinary | 100% | Dormant |

All subsidiaries are incorporated in England and Wales and have been included within these Group financial statements due to being 100% owned subsidiaries of Essex Cares Limited.

All subsidiaries have the registered office of Seax House, Victoria Road South, Chelmsford, Essex CM1 1QH.

**Company**

| | Investments in subsidiary companies £ |
|---|---|
| **Cost or valuation** | |
| At 1 April 2016 | **300** |
| At 31 March 2017 | **300** |
| **Net book value** | |
| At 31 March 2017 | **300** |
| At 31 March 2016 | 300 |

## 17. Stocks

| | Group 2017 £ | Group 2016 £ | Company 2017 £ | Company 2016 £ |
|---|---|---|---|---|
| Finished goods and goods for resale | **1,036,396** | 1,961,142 | **1,036,396** | 1,961,142 |

Stock recognised in cost of sales during the year as an expense was £10,745,438 (2016 - £11,688,170).

An impairment loss of £885,583 (2016 - £1,318,579) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

# Notes to the Financial Statements

**For the Year Ended 31 March 2017**

## 18. Debtors

| | Group 2017 £ | Group 2016 £ | Company 2017 £ | Company 2016 £ |
|---|---|---|---|---|
| **Due after more than one year** | | | | |
| Other debtors | **100** | 100 | **100** | 100 |

| | Group 2017 £ | Group 2016 £ | Company 2017 £ | Company 2016 £ |
|---|---|---|---|---|
| **Due within one year** | | | | |
| Trade debtors | **812,186** | 492,867 | **811,986** | 492,867 |
| Amounts owed by related entities | **5,087,370** | 3,568,615 | **5,725,375** | 4,206,620 |
| Other debtors | **-** | 54,782 | **-** | 54,782 |
| Prepayments and accrued income | **2,196,622** | 1,046,219 | **2,196,813** | 1,046,219 |
| | **8,096,178** | 5,162,483 | **8,734,174** | 5,800,488 |

## 19. Cash and cash equivalents

| | Group 2017 £ | Group 2016 £ | Company 2017 £ | Company 2016 £ |
|---|---|---|---|---|
| Cash at bank and in hand | **16,548** | 2,685,727 | **16,548** | 2,685,727 |
| Less: bank overdrafts | **(1,211,696)** | - | **(1,211,696)** | - |

## 20. Creditors: Amounts falling due within one year

| | Group 2017 £ | Group 2016 £ | Company 2017 £ | Company 2016 £ |
|---|---|---|---|---|
| Bank overdrafts | **1,211,696** | - | **1,211,696** | - |
| Trade creditors | **1,488,605** | 273,113 | **1,488,605** | 273,113 |
| Amounts owed to related entities | **402,057** | 186,368 | **402,357** | 186,668 |
| Other taxation and social security | **683,213** | 1,019,775 | **683,213** | 1,019,775 |
| Other creditors | **117,315** | 142,112 | **117,315** | 142,121 |
| Accruals and deferred income | **6,205,895** | 7,891,369 | **6,205,895** | 7,891,369 |
| | **10,108,781** | 9,512,737 | **10,109,081** | 9,513,046 |

# Notes to the Financial Statements

**For the Year Ended 31 March 2017**

## 21. Creditors: Amounts falling due after more than one year

| | Group 2017 £ | Group 2016 £ | Company 2017 £ | Company 2016 £ |
|---|---|---|---|---|
| Amounts owed to related entities | **-** | 488,327 | **-** | 488,327 |

## 22. Financial instruments

| | Group 2017 £ | Group 2016 £ | Company 2017 £ | Company 2016 £ |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Financial assets that are debt instruments measured at amortised cost | **7,826,939** | 7,714,804 | **8,464,944** | 8,352,989 |
| | **7,826,939** | 7,714,804 | **8,464,944** | 8,352,989 |
| **Financial liabilities** | | | | |
| Financial liabilities measured at amortised cost | **(9,425,868)** | (8,492,962) | **(9,425,868)** | (8,493,271) |

Financial assets measured at amortised cost comprise of cash, trade debtors, amounts owed by group undertakings and accrued income.

Financial liabilities measured at amortised cost comprise of bank overdrafts, trade creditors, amounts owed to group undertakings, other creditors and accruals.

# Notes to the Financial Statements

**For the Year Ended 31 March 2017**

## 23. Provisions

**Group**

| | Buildings dilapidations provision £ | Total £ |
|---|---|---|
| At 1 April 2016 | 279,746 | 279,746 |
| Utilised in year | (24,220) | (24,220) |
| **At 31 March 2017** | 255,526 | 255,526 |

**Buildings dilapidations provision**

This provision is for the amount which has been valued by an external party that it would cost to return the buildings which are being leased to their original state.

**Company**

| | Buildings dilapidations provision £ | Total £ |
|---|---|---|
| At 1 April 2016 | 279,746 | 279,746 |
| Utilised in year | (24,220) | (24,220) |
| **At 31 March 2017** | 255,526 | 255,526 |

**Buildings dilapidations provision**

This provision is for the amount which has been valued by an external party that it would cost to return the buildings which are being leased to their original state.

# Notes to the Financial Statements
**For the Year Ended 31 March 2017**

## 24. Share capital

| | **2017** | 2016 |
|---|---|---|
| | **£** | £ |
| **Shares classified as equity** | | |
| **Allotted, called up and fully paid** | | |
| 100 Ordinary shares of £1 each | **100** | 100 |

Share capital represents the nominal value of equity shares. The shares have attached to them voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

## 25. Reserves

### Profit & loss account

Includes all current and prior period profits and losses.

# Notes to the Financial Statements
**For the Year Ended 31 March 2017**

## 26. Pension commitments

The Group operates a Defined Benefit Pension Scheme.

The assets of the scheme are held separately from those of the group and are administered by trustees. No other post-retirement benefits are provided. The scheme is a funded scheme. The assets and liabilities are recognised by each employer according to its individual employees.

The key FRS 102 assumptions used for the scheme are set out below along with details of amounts included within the accounts in respect of the pension scheme.

The pension scheme assets and liabilities were transferred from Essex County Council on 1 July 2009. The transfer was completed on a fully-funded basis using 2007 actuarial valuation assumptions which gave rise to an initial pension scheme asset of £935k calculated using FRS 17 assumptions.

During the year, four contracts previously outsourced by Essex Community Support Limited came to an end and subsequently ceased participation in the Fund. Assets and liabilities in relation to some of the active members and all of the deferred and pensioner members transferred back to Essex Community Support Limited as a result. The capitalised gain on these settlements was £1,493,000.

Reconciliation of present value of plan liabilities:

| | **2017** | 2016 |
|---|---|---|
| | **£** | £ |
| **Reconciliation of present value of plan liabilities** | | |
| At the beginning of the year | **54,711,000** | 55,622,000 |
| Current service cost | **959,000** | 1,662,000 |
| Interest income | **1,816,000** | 1,869,000 |
| Actuarial gains/losses | **13,225,000** | (3,321,000) |
| Contributions | **251,000** | 408,000 |
| Benefits paid | **(1,117,000)** | (1,530,000) |
| Past service cost | **-** | 194,000 |
| Gain/loss on settlement or curtailment | **(4,860,000)** | (193,000) |
| Change in demographic assumptions | **(410,000)** | - |
| Experience gains/loss on defined benefit obligation | **(2,751,000)** | - |
| **At the end of the year** | **61,824,000** | 54,711,000 |

# Notes to the Financial Statements

**For the Year Ended 31 March 2017**

## 26. Pension commitments (continued)

| | 2017 £ | 2016 £ |
|---|---|---|
| **Reconciliation of fair value of plan assets** | | |
| At the beginning of the year | **58,431,000** | 57,380,000 |
| Interest income | **2,325,000** | 1,946,000 |
| Return on assets less interest | **9,171,000** | (671,000) |
| Contributions | **669,000** | 1,525,000 |
| Benefits paid | **(1,117,000)** | (1,530,000) |
| Other actuarial gains/(losses) | **(363,000)** | - |
| Administration expenses | **(21,000)** | (28,000) |
| Gain/loss on settlement or curtailment | **(3,376,000)** | (191,000) |
| **At the end of the year** | **65,719,000** | 58,431,000 |

# Notes to the Financial Statements
**For the Year Ended 31 March 2017**

## 26. Pension commitments (continued)

Composition of plan assets:

| | 2017 £ | 2016 £ |
|---|---|---|
| Equities | **44,889,000** | 39,546,000 |
| Gilts | **2,486,000** | 1,723,000 |
| Other bonds | **2,671,000** | 2,804,000 |
| Property | **6,393,000** | 6,959,000 |
| Cash | **1,978,000** | 1,898,000 |
| Alternative assets | **4,383,000** | 2,598,000 |
| Other managed funds | **2,919,000** | 2,903,000 |
| **Total plan assets** | **65,719,000** | 58,431,000 |

| | 2017 £ | 2016 £ |
|---|---|---|
| Fair value of plan assets | **65,719,000** | 58,431,000 |
| Present value of plan liabilities | **(61,824,000)** | (54,711,000) |
| Impact of asset ceiling | **(2,856,000)** | (3,060,000) |
| **Net pension scheme liability** | **1,039,000** | 660,000 |

The amounts recognised in profit or loss are as follows:

| | 2017 £ | 2016 £ |
|---|---|---|
| Current service cost | **1,377,000** | (1,854,000) |
| Interest on defined benefit scheme | **106,000** | 77,000 |
| Administration expenses | **21,000** | (28,000) |
| **Total** | **1,504,000** | (1,805,000) |

The Group expects to contribute £417,000 (2016 - £326,000) to its Defined Benefit Pension Scheme in 2018.

# Notes to the Financial Statements

**For the Year Ended 31 March 2017**

## 26. Pension commitments (continued)

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

| | **2017** | 2016 |
|---|---|---|
| | **%** | % |
| Discount rate | **2.80** | 3.70 |
| Future salary increases | **3.10** | 2.80 |
| Future pension increases | **2.35** | 2.05 |
| RPI increases | **3.40** | 3.05 |
| CPI increases | **2.40** | 2.05 |
| Mortality rates | | |
| - for a male aged 65 now | **22.1** | 22.9 |
| - at 65 for a male aged 45 now | **24.3** | 25.2 |
| - for a female aged 65 now | **24.6** | 25.3 |
| - at 65 for a female member aged 45 now | **26.9** | 27.7 |

Amounts for the current and previous four periods are as follows:

Defined benefit pension schemes

| | **2017** | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| | **£** | £ | £ | £ | £ |
| Defined benefit obligation | **(61,824,000)** | (54,711,000) | (55,622,000) | (44,233,000) | (44,437,000) |
| Impact of asset ceiling | **(2,632,000)** | (3,060,000) | - | (1,767,000) | - |
| Scheme assets | **65,719,000** | 58,431,000 | 57,380,000 | 50,059,000 | 44,886,000 |
| **Surplus** | **1,263,000** | 660,000 | 1,758,000 | 4,059,000 | 449,000 |

# Notes to the Financial Statements

**For the Year Ended 31 March 2017**

## 27. Commitments under operating leases

At 31 March 2017 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

| | **Group 2017 £** | Group 2016 £ | **Company 2017 £** | Company 2016 £ |
|---|---|---|---|---|
| Not later than 1 year | **520,159** | 282,885 | **520,159** | 282,885 |
| Later than 1 year and not later than 5 years | **522,125** | 539,353 | **522,125** | 539,353 |
| Later than 5 years | **399,358** | 385,840 | **399,358** | 385,840 |
| **Total** | **1,441,642** | 1,208,078 | **1,441,642** | 1,208,078 |

## 28. Related party transactions

The company has taken advantage of the exemption in FRS 102 from disclosing transactions with wholly owned members of the group headed by Essex County Council.

**Key management personnel:**

All directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the Group are considered to be key management personnel. Total remuneration is respect of these individuals is £634,267 (2016 - £869,170).

## 29. Controlling party

The company is a wholly owned subsidiary of Essex County Council, the consolidated accounts of which are publicly available.

The accounts of Essex County Council represent the largest and smallest group of undertakings for which group accounts are drawn up.