

**SOUTHEND CARE LTD**

**Directors' Report and Financial Statements**

**For the Period Ended 31 March 2018**

# SOUTHEND CARE LTD

## Financial Statements For the Period Ended 31 March 2018

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# SOUTHEND CARE LTD

## Officers and Professional Advisers For the Period Ended 31 March 2018

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<b>Company registration number</b>	10138562
<b>The board of directors</b>	S Zaidi P R Little A Hughes D P McGowan M Capener S Houlden (resigned 28 March 2018)
<b>Registered office</b>	Civic Centre Victoria Avenue Southend-On-Sea Essex SS2 6ER
<b>Current auditor</b>	Scrutton Bland LLP Chartered Accountants & Statutory Auditor 820 The Crescent Colchester Business Park Colchester Essex CO4 9YQ
<b>Bankers</b>	Barclays Bank Priory Place Level 3, New London Road Chelmsford Essex CM2 0PP
<b>Legal advisers</b>	Southend-on-Sea Borough Council Legal and Democratic Services Civic Centre Victoria Avenue Southend-on-Sea Essex SS2 6ER

# **SOUTHEND CARE LTD**

## **Directors' Report For the Period Ended 31 March 2018**

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The directors present their report and financial statements for the period ended 31 March 2018.

### **PRINCIPAL ACTIVITY**

The purpose of the company is to manage adult care services previously delivered by the Council.

### **RESULTS AND DIVIDENDS**

The company's loss for the period, after taxation, amounted to £24,936 before IAS 19 defined benefit pension adjustments. The loss after pension adjustments amounted to £559,936.

There were no dividends proposed or paid during the period.

### **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

In the period to 31 March 2018 the risks to the company based upon its activities to that date were not considered significant in nature. A risk register is being developed and will be reviewed at Board level on a regular basis. Each project within the company will also have its own risk registers which will be reviewed and managed by programme and project managers.

### **DIRECTORS AND THEIR INTERESTS**

The directors set out in the table below have held office during the whole of the period from 1 May 2017 to 31 March 2018 unless otherwise stated. None of the directors held any interests in the share capital of the company.

S Zaidi  
P R Little  
A Hughes  
D P McGowan  
M Capener  
S Houlden (resigned 28 March 2018)

### **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 period. Under that law the directors have elected to prepare financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and applicable law.

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 then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and

# **SOUTHEND CARE LTD**

## **Directors' Report For the Period Ended 31 March 2018**

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- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the parent company will continue in business.

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

The directors confirm that so far as they are aware, there is no relevant audit information (as defined by section 418(3) of the Companies Act 2006) of which the company's auditors are unaware. They have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### **BUSINESS REVIEW AND FUTURE PLANS**

Southend Care Ltd has completed its first year of operations. The company started trading on the 1 April 2017 when three services from Southend on Sea Borough Council transferred into the new company. The three services were Priory and Delaware care homes and Viking day centre. The remaining services transferred into the new company on the 1 July 2017. These were project 49 Day Services, Shared Lives, Making it Work, START (reablement), Spencer House (Supported living) and Care and Support.

Southend Care Ltd is a local authority trading company and its one shareholder is Southend on Sea Borough Council. SCL is a Teckal compliant company, based on a 1998 European Court of Justice Case. The essence of the case was that contracts may be freely awarded to a subsidiary if it is controlled by the public authority, as if it were another department of the authority. Subsequent cases have developed the principle to make clear that:

- The Teckal exemption cannot be used if any private sector party owns any part of the subsidiary.
- The Teckal subsidiary must perform at least 80% of its activities for its parent authority rather than for the open market.
- The Teckal subsidiary can also award contracts back to its parent authority (such as purchase of back room services).

The Board of Southend Care has now agreed a new business plan for the next three years. This sets out its objectives, key performance indicators and targets for this period. Communication with staff and encouraging people to work together has been a priority and there are numerous good examples of how this is working. Southend Care exceeded its financial targets for its first year of operations. With solid governance arrangements, it is in a good place to grow and develop the business in the coming years.

# **SOUTHEND CARE LTD**

## **Directors' Report For the Period Ended 31 March 2018**

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In preparing this report the directors have taken advantage of the small companies exemption from the requirement to prepare a Strategic Report.

Approved by the board on \_\_\_\_\_ and signed on its behalf by

D P McGowan  
Director

# SOUTHEND CARE LTD

## Annual Governance Statement 2017/18

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### 1. SCOPE OF RESPONSIBILITY FOR SOUTHEND CARE LTD

Southend Care Ltd (SCL) was formed in April 2016. It is a Local Authority trading Company (LatCo). There are 100 £1 shares in the company, owned by Southend on Sea Borough Council (SBC). The company started trading on the 1 April 2017 and has just completed its first full year. The purpose of the company is to manage adult care services previously delivered by the council. Staff who provided these services were transferred in 2 tranches, on 1 April 2017 and 1 July 2017. SBC pay SCL a fixed amount over 4 years to provide these services (a block contract). In the financial year 2016/17, the block contract was £5.67m, which covered a part year for some of the services.

SCL is managed by a Board of 5 Directors. The Managing Director and Operations Director of the company are both company Directors. There are 3 non-Executive Directors, one of whom is the Chair. They have been appointed by SBC on a four year fixed term contract. The Board meets monthly and, at present, there are no sub committees.

The Board of Southend Care Ltd currently meets on a monthly basis. The Board receive the following reports:

- A budget update measured against the business plan projections;
- HR updates, including sickness and significant disciplinary issues;
- KPI's for all the services and explanation for any that are outside agreed parameters;
- An update on the Risk Register;
- Operational updates from the Managing Director and the Operational Director;
- Any issues related to the regulator, Care Quality Commission (CQC).

### 2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

Good governance leads to good management, good performance, good stewardship, good public engagement, and ultimately good outcomes for citizens and service users. Good governance enables the company to pursue its vision effectively, as well as underpinning that vision with mechanisms for control and management of risk.

The governance framework comprises the systems, processes, culture and values, by which the company is directed and controlled and its activities through which it accounts to, engages with and serves the community. It enables the company to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to an acceptable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the company's policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically.

# **SOUTHEND CARE LTD**

## **Annual Governance Statement 2017/18**

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### **3. THE GOVERNANCE FRAMEWORK**

The Key elements of the Governance Framework are:

- Business Planning and Strategy, including Service Improvement plans for each service;
- Financial Reporting including budgetary management;
- Contract monitoring with SBC on a quarterly basis;
- Risk Management including Anti-fraud and Corruption, Whistle Blowing and Health and Safety;
- Emergency Planning and Business Continuity;
- Individual Performance Review (appraisal) being developed;
- Performance Managing, service delivery and people;
- Procurement;
- Complaints and Compliments – Fed into individual services Improvement Plans;
- Ethical Governance including Codes of Conduct;
- Meeting the standards set by the regulator (CQC);
- External assessments (getting Investors in People Accreditation).

### **4. REVIEW OF EFFECTIVENESS**

As SCL is such a new company, a review of its governance framework will make more sense in a year's time, when it will be easier to measure what systems are effective and what needs to be changed. SBC have decided that all companies owned by them will report to a shareholders Board once a year. When this has happened, it may be that there are further recommendations as to what other governance arrangements are required.

#### **(a) Internal Audit**

Southend Care Ltd does not currently have an SLA with the internal Audit department and this will be reviewed after the shareholders meeting has taken place. One meeting has taken place with the Internal Audit department at the request of SCL. We are keen to review arrangements for how we support vulnerable people to look after their money. Internal Audit have agreed to advise on whatever proposal we make.

#### **(b) External Audit**

This is the first year of operating for the company. The company appointed Scrutton Bland LLP as external auditors. Any improvements or changes they recommend will be considered by the board in due course.



- (c) Key Governance Issues:

### **GPDR**

SCL are a member of the SBC project working group. There is a draft GDPR plan in place and work has been undertaken with all services to review their retention schedules to ensure they are in line with the new regulations.

### **Development of an Individual Performance Review (Appraisal) System**

An external consultant has been commissioned to develop this. The remit is to develop a system that is fair, easy to understand and meaningful for staff. This will be implemented over the summer of 2018.

### **Policies and procedures (HR and finance) are in place for SCL**

Most policies are in place, but a small number need to be updated in line with SCL being a private company with different terms and conditions from SBC.

### **Explore need for Internal Audit**

Again, this will be reviewed following the outcome of the shareholder meeting with SBC.

### **Achieve Investor in People accreditation (IIP)**

Assessor will be on site over the summer of 2018. Achieving IIP will give SCL a measure of where the company is in terms of engaging with staff and what improvements may be required.

### **Shareholder meeting**

Following the shareholder meeting, implement any governance changes agreed with the shareholder.

D P McGowan  
Director

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTHEND CARE LTD**

**For the Period Ended 31 March 2018**

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## **OPINION**

We have audited the financial statements of Southend Care Ltd for the period ended 31 March 2018 which comprise the Profit and Loss Account, the Statement of Other Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2018 and of the company's loss for the period then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## **BASIS FOR OPINION**

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

## **CONCLUSIONS RELATING TO GOING CONCERN**

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

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

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTHEND CARE LTD**

**For the Period Ended 31 March 2018**

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## **OTHER INFORMATION**

The directors are responsible for the other information. The other information comprises the information included in the directors' report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **OTHER MATTER**

The comparative figures for the period ended 30 April 2017 are unaudited as the company was able to take advantage of exemption from audit under Section 477 of the Companies Act 2006 relating to small companies and an audit was not required by the shareholder.

## **OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006**

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

- the information given in the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

## **MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

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

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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;
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTHEND CARE LTD

For the Period Ended 31 March 2018

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## RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement set out on pages 2 and 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

## USE OF OUR REPORT

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

**Mr Timothy O'Connor** (Senior Statutory Auditor)

For and on behalf of

Scrutton Bland LLP

Chartered Accountants & Statutory Auditor

820 The Crescent

Colchester Business Park

Colchester

Essex

CO4 9YQ

Date:

# SOUTHEND CARE LTD

## Profit and Loss Account For the Period Ended 31 March 2018

	Notes	1 May 2017 to 31 March 2018 £	21 April 2016 to 30 April 2017 £
Revenue	4	5,421,212	314,449
Staff costs	6	4,859,924	297,013
IAS 19 pension scheme staff cost adjustment		421,000	-
Administrative expenses		549,765	273,143
<b>OPERATING LOSS</b>		<b>(409,477)</b>	<b>(255,707)</b>
Interest payable	7	(36,459)	(3,123)
IAS 19 pension scheme interest adjustment		(114,000)	-
<b>LOSS BEFORE TAX</b>		<b>(559,936)</b>	<b>(258,830)</b>
Taxation of ordinary activities		-	-
<b>LOSS FOR THE PERIOD</b>		<b>(559,936)</b>	<b>(258,830)</b>
<b>LOSS ATTRIBUTABLE TO EQUITY HOLDERS</b>		<b>(559,936)</b>	<b>(258,830)</b>
<p>The loss for the financial period before and after adjustments required under IAS 19 in respect of defined benefit pension schemes is as follows:</p>			
Loss after tax		(24,936)	(258,830)
IAS 19 defined benefit pension scheme charges:			
Staff costs adjustment		(421,000)	-
Interest costs		(114,000)	-
<b>Loss for the financial period</b>		<b>(559,936)</b>	<b>(258,830)</b>

The notes on pages 15 to 26 form part of these financial statements.

# SOUTHEND CARE LTD

## Statement of Other Comprehensive Income For the Period Ended 31 March 2018

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	<b>1 May 2017 to 31 March 2018 £</b>	<i>21 April 2016 to 30 April 2017 £</i>
<b>LOSS FOR THE FINANCIAL PERIOD</b>	<b>(559,936)</b>	<b>(258,830)</b>
Actuarial gains arising from pension liabilities	<b>1,000</b>	-
Difference between expected and actual return on pension fund assets and other actuarial losses	<b>346,000</b>	-
<b>TOTAL RECOGNISED LOSSES FOR THE PERIOD</b>	<b><u>(212,936)</u></b>	<b><u>(258,830)</u></b>

The notes on pages 15 to 26 form part of these financial statements.

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# SOUTHEND CARE LTD

## Statement of Changes in Equity For the Period Ended 31 March 2018

	Defined benefit pension reserve £	Share capital £	Retained earnings (excluding pension reserve) £	Total equity £
Shares issued on incorporation	-	1	-	1
Loss for the period	-	-	(258,830)	(258,830)
<b>Balance at 30 April 2017, as previously reported</b>	<u>-</u>	<u>1</u>	<u>(258,830)</u>	<u>(258,829)</u>
<b>Prior year adjustment</b>				
Share capital	-	99	-	99
Pension liability upon transfer	(2,640,000)	-	-	(2,640,000)
<b>Restated balance at 30 April 2017</b>	<u>(2,640,000)</u>	<u>100</u>	<u>(258,830)</u>	<u>(2,898,730)</u>
Pension liability upon transfer	(2,670,000)	-	-	(2,670,000)
Loss for the period	(535,000)	-	(24,936)	(559,936)
Other comprehensive income for the period	347,000	-	-	347,000
<b>Balance at 31 March 2018</b>	<u>(5,498,000)</u>	<u>100</u>	<u>(283,766)</u>	<u>(5,781,666)</u>

The notes on pages 15 to 26 form part of these financial statements.

# SOUTHEND CARE LTD

## Statement of Financial Position As at 31 March 2018

	Notes	31 March 2018 £	Restated 30 April 2017 £
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Trade and other receivables	8	556,345	314,549
Cash and cash equivalents	9	496,158	349,750
<b>TOTAL ASSETS</b>		<b>1,052,503</b>	<b>664,299</b>
<b>EQUITY</b>			
<b>ISSUED CAPITAL AND RESERVES</b>			
Issued share capital	10	100	100
Retained profits		(283,766)	(258,830)
Pension reserve	13	(5,498,000)	(2,640,000)
<b>TOTAL EQUITY</b>		<b>(5,781,666)</b>	<b>(2,898,730)</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	771,596	380,215
<b>TOTAL CURRENT LIABILITIES</b>		<b>771,596</b>	<b>380,215</b>
<b>NON-CURRENT LIABILITIES</b>			
Pension scheme liabilities	13	5,498,000	2,640,000
Borrowings	14	564,573	542,814
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>6,062,573</b>	<b>3,182,814</b>
<b>TOTAL LIABILITIES</b>		<b>6,834,169</b>	<b>3,563,029</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,052,503</b>	<b>664,299</b>

Under the Companies Act 2006, s454, on a voluntary basis, the directors can amend these financial statements if they subsequently prove to be defective.

The company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small company's regime.

Approved by the Board on \_\_\_\_\_ and signed on its behalf by \_\_\_\_\_

Damian McGowan  
Director

Peter Little  
Director

Company registration number: 10138562

**The notes on pages 15 to 26 form part of these financial statements.**



# SOUTHEND CARE LTD

## Notes to the Financial Statements For the Period Ended 31 March 2018

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### 1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH IFRS'S

The company's financial statements for the period were authorised for issue on ..... and the company's statements of financial position signed on the Board's behalf by Damian McGowan and Peter Little (Directors). Southend Care Ltd is a limited company incorporated and domiciled in England & Wales.

The company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

### 2. ACCOUNTING POLICIES

#### **Basis of preparation of financial statements**

This is the first year in which the financial statements have been prepared under the International Financial Reporting Standards. The date of transition is 21 April 2016. There were no effects to the financial statements as a result of this adoption.

The financial statements are presented in Sterling (£), are rounded to the nearest £1 and have been prepared under the historical cost basis.

The company's immediate parent undertaking and ultimate controlling party, Southend-on-Sea Borough Council, includes the company in its consolidated financial statements. In these financial statements, the company is considered to be a qualifying entity and has applied the exemptions available under IFRS in respect of the requirement to prepare a Cash Flow Statement and the related notes and the requirement to disclose a financial instruments note.

#### **Going concern**

The financial statements show negative equity as a result of the defined benefit pension scheme reserve. The financial statements have been prepared on the going concern basis on the assumption that future profits and ongoing support from the Council will be sufficient for any increased contributions to be met.

Having considered the company's forecasts and projections, the directors are satisfied that the company has adequate resources to continue in operational existence for the foreseeable future, and for a period of at least 12 months from the date of approving these financial statements. For this reason the directors adopt the going concern basis in preparing the accounts.

#### **Income recognition**

Income is recognised to the extent that it is probable that the economic benefits will flow to the company and the income can be reliably measured. All such income is reported net of discounts and value added and other sales taxes.

# SOUTHEND CARE LTD

## Notes to the Financial Statements For the Period Ended 31 March 2018

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### 2. ACCOUNTING POLICIES (continued)

#### **Pension costs**

The company operates a defined contribution pension scheme, the assets of which are held separately from those of the company. The annual contributions payable are charged to the Income Statement when they fall due.

#### **Pension costs – Local Government Pension Scheme**

Southend Care Ltd is also an admitted body of the Local Government Pension Scheme administered by Essex County Council. The assets belonging to the pension scheme are held and administered independently by Essex County Council.

Pension scheme assets are measured at fair value at the balance sheet date. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. The increase in the present value of the liabilities of the company's defined benefit pension schemes expected to arise from employee service in the period is charged to operating profit. The expected return on the schemes' assets and the increase during the year in the present value of the schemes' liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the statement of other comprehensive income.

Pension schemes' surpluses, to the extent that they are considered recoverable, or deficits, are recognised in full and presented on the face of the statement of financial position. There are no deferred tax implications.

Further disclosures relating to retirement benefits can be found in note 13.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and in hand.

#### **Financial instruments**

Short term debtors are measured at transaction price, less any impairment.

Short term creditors are measured at the transaction price.

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

#### **Comparative accounting periods**

The financial statements are for a period of 11 months (2017 : 12 months) due to a change in accounting period end date from April to March. Therefore the comparative amounts presented in the financial statements (including the related notes) are not entirely comparable.

# SOUTHEND CARE LTD

## Notes to the Financial Statements For the Period Ended 31 March 2018

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### 2. ACCOUNTING POLICIES (continued)

#### Comparatives

The comparatives have been amended where necessary for reasons of comparability and to correct errors as set out in note 18.

#### Standards that have been issued but not yet effective

The below accounting standards have been issued but are not yet effective. The initial application of these standards is not expected to affect the financial statements.

- IFRS 15 Revenue from Contracts with Customers – Clarifications to IFRS 15 (effective for periods commencing on or after 1 January 2018);
- IFRS 9 Financial Instruments – Revised version (effective for periods commencing on or after 1 January 2018);
- IFRS 2 Share-based payment – Amendments to clarify the classification and measurement of share-based payment transactions (effective for periods commencing on or after 1 January 2018);
- IFRS 4 Insurance Contracts – Amendments regarding the interaction of IFRS 4 and IFRS 9 (effective for periods commencing on or after 1 January 2018);
- IAS 40 Investment Property – Amendments to clarify transfers of property to, or from, investment property (effective for periods commencing on or after 1 January 2018);
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (effective for periods commencing on or after 1 January 2018);
- IFRS 1 First-time Adoption of International Reporting Standards – Deletion of short-term exemptions for first-time adopters (effective for periods commencing on or after 1 January 2018);
- IAS 28 Investments in Associates and Joint Ventures – Amendments regarding long-term interests in associates and joint ventures (effective for periods commencing on or after 1 January 2018);
- IFRS 16 Leases (effective for periods commencing on or after 1 January 2019);
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (effective for periods commencing on or after 1 January 2019);
- IFRS 17 Insurance Contracts (effective for periods commencing on or after 1 January 2021).

# SOUTHEND CARE LTD

## Notes to the Financial Statements For the Period Ended 31 March 2018

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### 2. ACCOUNTING POLICIES (continued)

#### Current and deferred taxation

The tax expense for the period would comprise of current and deferred tax. Tax is recognised in the Profit and Loss Account, 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 income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operate and generate income.

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

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

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

### 3. JUDGEMENTS IN APPLYING ACCOUNTING ESTIMATES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires the company's directors to make judgements, estimates and assumptions that affect the amounts reported in the financial statements. The key judgements and estimation uncertainty that have a significant risk of causing material misstatement to the carrying amounts of assets and liabilities within the next financial year are those made in respect of the defined benefit pension scheme.

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement rates and expected returns on pension fund assets. An independent firm of consulting actuaries has been engaged to provide expert advice regarding the assumptions to be applied in the calculation of the defined pension scheme liability, which at 31 March 2018 amounts to £5,498,000. Further details of the assumptions made are disclosed in note 13.

# SOUTHEND CARE LTD

## Notes to the Financial Statements For the Period Ended 31 March 2018

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### 4. REVENUE

	<b>1 May 2017 to 31 March 2018 £</b>	<i>21 April 2016 to 30 April 2017 £</i>
SBC Block Contract Income	<b>5,313,745</b>	303,378
Other Income	<b>107,467</b>	11,071
	<b><u>5,421,212</u></b>	<b><u>314,449</u></b>

### 5. AUDITOR'S REMUNERATION

Auditor's remuneration in relation to the financial statements is:

	<b>1 May 2017 to 31 March 2018 £</b>	<i>21 April 2016 to 30 April 2017 £</i>
Auditor's remuneration - audit services	<b>8,900</b>	-
Auditor's remuneration - non audit services	<b>950</b>	-
	<b><u>9,850</u></b>	<b><u>-</u></b>

### 6 EMPLOYEE EXPENSES

	<b>1 May 2017 to 31 March 2018 £</b>	<i>21 April 2016 to 30 April 2017 £</i>
Wages and salaries	<b>3,491,549</b>	210,773
Employer national insurance	<b>306,536</b>	13,411
Employer pension costs	<b>549,312</b>	26,699
Recruitment	<b>20,633</b>	-
Training	<b>3,290</b>	-
Agency spend	<b>488,604</b>	46,130
	<b><u>4,859,924</u></b>	<b><u>297,013</u></b>

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# SOUTHEND CARE LTD

## Notes to the Financial Statements For the Period Ended 31 March 2018

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### 6. EMPLOYEE EXPENSES (continued)

Average employee numbers, including directors:

	<b>2018</b>	<i>2017</i>
	<b>No.</b>	<i>No.</i>
Care and Support team - who support both Delaware and Priory House	<b>20</b>	<i>2</i>
Dementia and Complex Needs Residential Care Home - Delaware House	<b>36</b>	<i>3</i>
Elderly Frail Residential Care Home – Priory House	<b>35</b>	<i>3</i>
Head Office	<b>8</b>	<i>1</i>
Learning Disability - Employment Support Service	<b>1</b>	<i>-</i>
Learning Disability - Recruitment and training of Shared Livers Carers	<b>3</b>	<i>-</i>
Learning Disability Day Care Centre – Viking Day Centre	<b>30</b>	<i>2</i>
Learning Disability day services - Project 49	<b>27</b>	<i>-</i>
Learning Disability Supported Living Unit - Spencer House	<b>9</b>	<i>-</i>
Rehabilitation and Re-ablement service for Adults - Southend Therapy and Recovery Team (START)	<b>27</b>	<i>-</i>
	<b>196</b>	<i>11</i>

The directors' aggregate remuneration in respect of qualifying services was:

	<b>1 May 2017 to 31 March 2018 £</b>	<i>21 April 2016 to 30 April 2017 £</i>
Directors' emoluments	<b>166,935</b>	<i>8,389</i>
Company contributions to defined contribution pension schemes	<b>3,610</b>	<i>315</i>
	<b>170,545</b>	<i>8,704</i>

The directors' remuneration equates to key management personnel compensation. There are no members of key management other than directors.

### 7. PAYABLE INTEREST

	<b>1 May 2017 to 31 March 2018 £</b>	<i>21 April 2016 to 30 April 2017 £</i>
Loan interest	<b>36,459</b>	<i>3,123</i>

# SOUTHEND CARE LTD

## Notes to the Financial Statements For the Period Ended 31 March 2018

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### 8. TRADE AND OTHER RECEIVABLES

	<b>31 March 2018 £</b>	<i>30 April 2017 £</i>
Other amounts receivable	<b>7,917</b>	<i>1,907</i>
Owed by SBC	<b>548,428</b>	<i>312,642</i>
	<b><u>556,345</u></b>	<i><u>314,549</u></i>

### 9. CASH AND CASH EQUIVALENTS

	<b>31 March 2018 £</b>	<i>30 April 2017 £</i>
Cash at bank	<b>492,858</b>	<i>349,750</i>
Cash in hand	<b>3,300</b>	<i>-</i>
	<b><u>496,158</u></b>	<i><u>349,750</u></i>

### 10. SHARE CAPITAL

	<b>31 March 2018</b>		<i>30 April 2017</i>	
	<b>No.</b>	<b>£</b>	<i>No.</i>	<i>£</i>
<b>Issued and unpaid</b>				
Ordinary shares of £1 each	<b><u>100</u></b>	<b><u>100</u></b>	<i><u>100</u></i>	<i><u>100</u></i>

All shares were issued at par at the time of incorporation. All issued share capital is classified as equity.

# SOUTHEND CARE LTD

## Notes to the Financial Statements For the Period Ended 31 March 2018

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### 11. TRADE AND OTHER PAYABLES

	<b>31 March 2018 £</b>	<i>30 April 2017 £</i>
Payable to others	<b>158,230</b>	-
Amounts owed to SBC	<b>543,271</b>	352,291
VAT owed to HMRC	<b>70,095</b>	27,924
	<b><u>771,596</u></b>	<u>380,215</u>

### 12. RESERVES

#### **Called-up share capital**

Represents the nominal value of the £1 ordinary shares that have been issued and not fully paid. All of the shares hold the same rights and have full rights to receive notice of, attend and vote at general meetings, one share carries one vote and full rights to dividends and capital distributions (including on winding up).

#### **Profit and loss account**

The profit and loss account represents the company's accumulated profits/(losses) which are available for distribution to the members.

#### **Pension reserve**

The pension reserve represents the Essex Pension Fund deficit of the company calculated in accordance with IAS 19.



# SOUTHEND CARE LTD

## Notes to the Financial Statements For the Period Ended 31 March 2018

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### 13. PENSION COMMITMENTS

The assets and liabilities of the pension scheme at 31 March were:

#### (a) Asset and liability reconciliation

	2018 £
<b>Reconciliation of liabilities</b>	
Opening defined benefit obligation	7,436,000
Service cost	937,000
Interest cost	338,000
Change in financial assumptions	(1,000)
Liabilities assumed on settlements	7,512,000
Estimated benefits paid net of transfer in	(69,000)
Contributed by Scheme participants	147,000
Closing defined benefit obligation	<u>16,300,000</u>
	2018 £
<b>Reconciliation of assets</b>	
Opening fair value of fund assets	4,796,000
Interest on assets	224,000
Return on assets less interest	346,000
Administration expenses	(2,000)
Contributions by employer including unfunded	518,000
Contributions by Scheme participants	147,000
Estimated benefits paid plus unfunded net of transfers in	(69,000)
Settlement prices received	4,842,000
Closing fair value of fund assets	<u>10,802,000</u>
	2018 £
Fair value of plan assets	10,802,000
Present value of plan liabilities	<u>(16,300,000)</u>
Net estimated pension scheme liability	<u>(5,498,000)</u>

#### (b) Composition of plan assets

	% of scheme assets	2018 £
Equities	65%	7,050,000
Gilts	7%	719,000
Bonds	4%	401,000
Properties	9%	1,025,000
Cash	3%	371,000
Alternative assets	7%	798,000
Other managed funds	4%	438,000
		<u>10,802,000</u>

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# SOUTHEND CARE LTD

## Notes to the Financial Statements For the Period Ended 31 March 2018

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### 13. PENSION COMMITMENTS (continued)

#### (c) Return on scheme assets

The overall return on scheme assets is estimated to be 7% in 2017/18. This figure will vary year on year depending on the assumptions made and the underlying distribution of the fund's assets which will vary during the year and as a result it is not appropriate to break down the return on assets across the different asset categories. Actual returns on the scheme assets have been £570,000 for the period to 31 March 2018.

- (d) A full actuarial valuation was carried out for the defined benefit scheme at 31 March 2016 and updated to 31 March 2018 by Barnett Waddingham using the projected unit method. The major assumptions used by the actuary were:

	2018	2017
	%	%
Main assumptions:		
Rate of increase in salaries	3.8	3.9
Rate of increase in pensions	2.3	2.4
Discount rate	2.6	2.7

#### (e) Movement in deficit during the period

	2018
	£
Pension deficit brought forward	(2,640,000)
Pension liability upon transfer (1 July 2017 and 13 November 2017)	(2,670,000)
Service cost	(938,000)
Net interest on the defined liability	(114,000)
Employer contributions	518,000
Return on assets	346,000
At 31 March 2018	<u>(5,498,000)</u>

#### (f) Analysis of the amount charged to the income and expenditure account:

	2018
	£
Service cost	937,000
Employer contributions	(518,000)
Administration expenses	2,000
IAS 19 adjustment	<u>421,000</u>
Analysis of amounts charged to finance costs:	
Other finance costs: Interest costs	114,000
IAS 19 adjustment	<u>535,000</u>

During the period to 31 March 2018 the employer contribution rate was 21.91%.

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# SOUTHEND CARE LTD

## Notes to the Financial Statements For the Period Ended 31 March 2018

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### 13. PENSION COMMITMENTS – (Continued)

#### (g) Life assumptions:

	<b>2018</b>
Life expectancy from age 65 (years):	
Current pensioner aged 65	
Male	<b>22.2</b>
Female	<b>24.7</b>
Retiring in 20 years	
Male	<b>24.4</b>
Female	<b>27.0</b>

### 14. BORROWINGS

	<b>31 March 2018 £</b>	<i>30 April 2017 £</i>
<b>Amounts owed to SBC:</b>		
Working capital	<b>350,000</b>	<i>350,000</i>
Implementation loan	<b>214,573</b>	<i>192,814</i>
	<b><u>564,573</u></b>	<i><u>542,814</u></i>

### 15. CAPITAL MANAGEMENT

The capital structure of the company consists of net debt (borrowings as detailed in note 14 offset by current assets) and equity of the company (comprising issued capital as detailed in note 10, reserves and retained earnings).

The company is not subject to any externally imposed capital requirements.

### 16. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption provided in IAS 24 “related party disclosures” from disclosing transactions with Southend Borough Council, as a government body that has control over the reporting entity.

There were no other related party transactions during the period.

# **SOUTHEND CARE LTD**

## **Notes to the Financial Statements For the Period Ended 31 March 2018**

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### **17. ULTIMATE CONTROLLING PARTY**

The company's ultimate controlling party is Southend on Sea Borough Council by way of their shareholding.

### **18. PRIOR PERIOD ADJUSTMENT**

The accounts for the period ended 30 April 2017 have been restated to include two adjustments:

- The inclusion of a debtor of £100 for the unpaid share capital and adjustment of the share capital valuation to reflect that they were 100 £1 ordinary shares in issue.
- The inclusion of the LGPS defined benefit pension scheme liability, relating to the transfer of employees from Southend on Sea Bough Council into the company on the 1 April 2017, totalling £2.64m.