

SOUTHEND CARE LTD

Directors' Report and Financial Statements

For the Year Ended 31 March 2019

SOUTHEND CARE LTD

Financial Statements For the Year Ended 31 March 2019

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SOUTHEND CARE LTD

Officers and Professional Advisers For the Year Ended 31 March 2019

Company registration number	10138562
The board of directors	S Zaidi P R Little A Hughes D P McGowan (resigned 31 August 2018) M Capener J C Manzoni (appointed 17 September 2018)
Registered office	Civic Centre Victoria Avenue Southend-On-Sea Essex SS2 6ER
Current auditor	Scrutton Bland LLP Chartered Accountants & Statutory Auditor 820 The Crescent Colchester Business Park Colchester Essex CO4 9YQ
Bankers	Barclays Bank Priory Place Level 3, New London Road Chelmsford Essex CM2 0PP
Legal advisers	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 Year Ended 31 March 2019

The directors present their report and financial statements for the year ended 31 March 2019.

PRINCIPAL ACTIVITY

The purpose of the company is to trade commercially, predominantly within health and social care sectors.

RESULTS AND DIVIDENDS

The company's profit for the period, after taxation, amounted to £319,813 (2018 : loss £24,936) before IAS 19 defined benefit pension adjustments. The loss after pension adjustments amounted to £241,187 (2018 : £559,936).

There were no dividends proposed or paid during the period.

We are pleased to say the company has performed above original expectation within it's second year of trade, both returning an in year profit, and paying back £200,000 of the loan passed to the company when trade began from the 1 April 2017.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

In the year to 31 March 2019 the company has implemented a Corporate Risk Register, owned by the Executive Team and reported on to the Board of Directors. This has focussed on identifying, managing and mitigating the risk and impact of potential events including fraud; loss of income (both local authority and private consumer); expenditure levels on staff supply agencies; slowdown in the conversion of staff posts to new SCL terms and conditions; and failure to control business unit expenditure. The result of introducing this risk management approach has meant the company successfully moving into profitability whilst delivering safe and effective services and complying with regulatory and contractual responsibilities.

DIRECTORS AND THEIR INTERESTS

The directors set out in the table below have held office during the whole of the year from 1 April 2018 to 31 March 2019 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 (resigned August 2018)
M Capener
Jon Manzoni (appointed September 2018)

SOUTHEND CARE LTD

Directors' Report For the Year Ended 31 March 2019

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
- 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

The business has had a successful year of trading and has moved into profitability ahead of the planned timescale of 2020/21. This position has been achieved due to the following:

- Delivering on required income levels, including the successful negotiation of contract uplifts.
- Building non-local authority income streams, including private residential care offers.
- Significantly reducing expenditure on agency staff within care settings, whilst increasing SCL's own internal bank of staff.
- Converting more employment positions to SCL terms and conditions.
- Robustly managing business unit level budgets.

SOUTHEND CARE LTD

Directors' Report For the Year Ended 31 March 2019

The business will continue into 2019/20 in a position of further profitability and will be seeing significant business growth and development. This will include two new local authority contracts for Supported Living and Extra Care services. We will also be working in partnership with South Essex Homes to deliver reablement flats, supporting people to maintain greater independence in the community.

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

Jon Manzoni
Managing Director

SOUTHEND CARE LTD

Annual Governance Statement 2018/2019

1. SCOPE OF RESPONSIBILITY FOR SOUTHEND CARE LTD.

Southend Care Limited (SCL) was incorporated in April 2016. It is a Local Authority Trading Company wholly owned by Southend Borough Council (SBC). There are 100 £1 shares in the company. Its purpose is to trade commercially, predominantly in health and social care sectors.

SCL is run by 5 directors, all of who are registered at Companies House. The directors include the Managing Director, Operations Director and three Non-Executive Directors (NEDs), one of whom is the chair. The NEDs are appointed by SBC on four year fixed term contracts. The directors meet monthly as a board and conduct is governed by the Articles of Association. The board of directors are responsible for ensuring the business is run in accordance with the law and proper standards and that its finances are properly accounted for and used efficiently and effectively in pursuit of its business goals.

Monthly board of directors' meetings support the strategic direction of the business and provide scrutiny and oversight of its running. The board meeting also acts as a mechanism for holding the executive directors to account. Standard items reported, considered and actioned each month include the following:

- Financial status measured against business plan projections
- Workforce status, including sickness, significant disciplinary issues and workforce development
- Operational performance against key performance measures
- Review and assessment of corporate risk
- Business continuity
- Legal and regulatory compliance including Care Quality Commission (CQC) compliance

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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 2018/2019

3. THE GOVERNANCE FRAMEWORK

The Key elements of the Governance Framework are:

- **A three year company Business Plan** that sets overarching business objectives.
- **An Annual Company Plan** linked to the three year Business Plan, which sets out detailed operational, financial and developmental targets for the business.
- **Financial Reporting** including management accounting and variance reporting.
- **Monthly Finance Review meetings** with the Managing Director, Operations Director and Finance Manager to assess overall financial performance of the company, and where necessary implement improvement actions.
- **Bi-Weekly Executive Management Meetings** including the Managing Director, Operations Director and Business Manager (the executive team). These meetings form the basis of managing and monitor company performance with reference to corporate key performance indicators and executive management and activity plan.
- **Annual Shareholder Meetings** holding to account the Board of directors for the performance of the company.
- **Monthly monitoring of expenditure** relating to the deployment within services of temporary staff supplied by external agencies. The aim being to reduce reliance of agency staff and thereby bring down overall expenditure on temporary staffing.
- **Formal monitoring of our commercial contract with SBC.** This includes both service level contract meetings, evaluating performance against contract key performance indicators and strategic / developmental meetings with the Director for Adult Social Care which focus on the overall contract performance including compliance matters.
- **Corporate risk management** including Anti-fraud and Corruption, Whistle blowing, Health and Safety and Safeguarding.
- **Emergency Planning and Business Continuity** including disaster recovery.
- **A system of Individual Performance Reviews** (appraisals) with all our staff followed by regular supervision sessions.
- **A quality assurance system** including assessment of customer satisfaction, independent quality audits of services and assessment of compliance against Care Quality Commission regulations.
- **A policy and procedure suite** governing our approach to Finance, HR and Service Delivery.
- **Scheme of delegation** setting out authorised levels of expenditure and commitments throughout the company.
- **Workforce code of conduct** setting out the expected standards of behaviour and performance as an employee of SCL.

4. REVIEW OF EFFECTIVENESS

The effectiveness of the governance framework has been assessed and tested through the following:

1. **Formal evaluation of the effectiveness of the Board of Directors.** – The board commissioned an external consultant to evaluate its effectiveness in terms of governance, directing the business and director roles and responsibilities. The evaluation concluded that the board was working in a robust manner, were focusing on the key items of business including financial scrutiny and were able to access (buy in) skills sets that may not be held by current directors for example sales and marketing. The Board decided that it would evaluate its performance on an annual basis in line with business good practice.
2. **External audit of operational finance processes** – the Managing Director commissioned an external audit (provided by Southend Borough Council) to review the robustness of systems for managing service amenity funds, petty cash and the safeguarding of service user finances policy. The final audit report including action plan is due to be issued in May 2019.
3. **External Quality Audit** – As part of SCL quality assurance process a series of external quality audits are being undertaken. The first audit reviewed the quality of service delivery provided at an SCL Day Service for people with learning disabilities. The audit tested processes and systems of care including the safeguarding of people who use the service. The audit resulted in a full and positive report being produced including an action plan for development and improving service delivery. A further quality audit for another SCL Day Service is due for October 2019.
4. **System of Peer Reviews** – Regular (monthly) peer reviews are conducted by Service Managers, assessing compliance of each other's services against CQC standards and regulations. This compliments the external quality auditing and provides the basis for continuous improvement of care delivery.
5. **Systematic Review of key policies and procedures** – A Policy index has been created this year and a process of reviewing key policies and procedures introduced. This year has included revising the Complaints and Compliments Policy, Service User Finance Policy; Sickness Absence Policy; Financial Scheme of Delegation; Pay Reward Policy; Business Continuity Policy; Corporate Risk Strategy.
6. **Staff Satisfaction Survey** – an annual survey of staff was carried for 2018/19 to evaluate satisfaction in relation to job role, job satisfaction, management support and competency to fulfil job requirements. The survey also provided free text for staff to provide comments about the company. 88% of staff responded positively in terms of satisfaction and an improvement plan produced to address key areas including staff communication and values.

SOUTHEND CARE LTD

Annual Governance Statement 2018/2019

7. **Customer Satisfaction Survey** – an annual survey was carried out for 2018/19 to evaluate the satisfaction of customers with the quality of service they receive. High levels of customer satisfaction were expressed and overall 96% responded positively in respect of the service provided.
8. **Annual Impact Report** – a review of company performance is being reported on through a 2018/19 Impact Report which will be shared with our shareholder, customers, commissioners, staff and other external stakeholders. This will include details of company outputs for example the number of customers served, the number of care hours delivered and occupancy rates. It will also include impact case studies demonstrating the quality of service provision. Another feature of the report will be assessing performance of our workforce for example sickness levels, retention rates, training and development and career progression.
9. **Investors in People Assessment and Award** – SCL was assessed this year against a number of criteria set out by Investors in People, including staff training, competency to fulfil roles and systems and processes for supporting staff development. This included ensuring there was a robust system in place for appraising staff performance and ongoing supervision. Following this assessment the Investors in People award was made to SCL.

J C Manzoni
Director

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

For the Year Ended 31 March 2019

OPINION

We have audited the financial statements of Southend Care Ltd for the year ended 31 March 2019 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 2019 and of the company's loss for the year 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 Year Ended 31 March 2019

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.

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 Year Ended 31 March 2019

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement set out on page 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 Year Ended 31 March 2019

	Notes	2019 £	1 May 2017 to 31 March 2018 £
Revenue	4	6,579,780	5,421,212
Staff costs	6	5,565,498	4,859,924
IAS 19 pension scheme staff cost adjustment	12(f)	425,000	421,000
Administrative expenses		647,637	549,765
OPERATING LOSS		(58,355)	(409,477)
Interest payable	7	(38,353)	(36,459)
IAS 19 pension scheme interest adjustment	12(f)	(136,000)	(114,000)
LOSS BEFORE TAX		(232,708)	(559,936)
Taxation of ordinary activities	8	(8,479)	-
LOSS FOR THE YEAR/PERIOD		(241,187)	(559,936)
LOSS ATTRIBUTABLE TO EQUITY HOLDERS		(241,187)	(559,936)
<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>			
Profit/(loss) after tax		319,813	(24,936)
IAS 19 defined benefit pension scheme charges:			
Staff costs adjustment		(425,000)	(421,000)
Interest costs		(136,000)	(114,000)
LOSS FOR THE FINANCIAL YEAR/PERIOD		(241,187)	(559,936)

The notes on pages 16 to 26 form part of these financial statements.

SOUTHEND CARE LTD

Statement of Other Comprehensive Income For the Year Ended 31 March 2019

	2019	<i>1 May 2017 to 31 March</i>
	£	2018
		£
LOSS FOR THE FINANCIAL YEAR/PERIOD	(241,187)	(559,936)
Actuarial (loss)/gain arising from pension liabilities	(71,000)	1,000
Difference between expected and actual return on pension fund assets and other actuarial gains	617,000	346,000
TOTAL RECOGNISED PROFITS/(LOSSES) FOR THE YEAR/PERIOD	304,813	(212,936)

The notes on pages 16 to 26 form part of these financial statements.

SOUTHEND CARE LTD

Statement of Changes in Equity For the Year Ended 31 March 2019

	Defined benefit pension reserve £	Share capital £	Retained earnings (excluding pension reserve) £	Total equity £
At 1 May 2017	(2,640,000)	100	(258,830)	(2,898,730)
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 year	347,000	-	-	347,000
Balance at 31 March 2018	<u>(5,498,000)</u>	<u>100</u>	<u>(283,766)</u>	<u>(5,781,666)</u>
Profit for the period before pension adjustments	-	-	319,813	319,813
IAS 19 defined benefit pension scheme charges	(561,000)	-	-	(561,000)
Other comprehensive income for the year	546,000	-	-	546,000
Balance at 31 March 2019	<u>(5,513,000)</u>	<u>100</u>	<u>36,047</u>	<u>(5,476,853)</u>

The notes on pages 16 to 26 form part of these financial statements.

SOUTHEND CARE LTD

Statement of Financial Position As at 31 March 2019

	Notes	2019 £	2018 £
CURRENT ASSETS			
Trade and other receivables	9	643,793	556,345
Cash and cash equivalents	10	510,630	496,158
		<u>1,154,423</u>	<u>1,052,503</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Trade and other payables	11	753,703	771,596
NET CURRENT ASSETS		<u>400,720</u>	<u>280,907</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Pension scheme liabilities	12	5,513,000	5,498,000
Borrowings	13	364,573	564,573
NET LIABILITIES		<u>(5,476,853)</u>	<u>(5,781,666)</u>
ISSUED CAPITAL AND RESERVES			
Issued share capital	14	100	100
Retained profits		36,047	(283,766)
Pension reserve	15	(5,513,000)	(5,498,000)
TOTAL EQUITY		<u>(5,476,853)</u>	<u>(5,781,666)</u>

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

J C Manzoni
Director

Peter Little
Director

Company registration number: 10138562

The notes on pages 16 to 26 form part of these financial statements.

SOUTHEND CARE LTD

Notes to the Financial Statements For the Year Ended 31 March 2019

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

The company's financial statements for the year were authorised for issue on xxxx 2019 and the company's statements of financial position signed on the Board's behalf by J C Manzoni 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. The principal accounting policies adopted by the company are set out in note 2.

2. ACCOUNTING POLICIES

Basis of preparation of financial statements

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 Year Ended 31 March 2019

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 for the year ended 31 March 2019 are for a year. The financial statements for the period ended 31 March 2018 cover a period of 11 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 Year Ended 31 March 2019

2. ACCOUNTING POLICIES (continued)

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 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 9 Financial Instruments – Amendments regarding prepayment features with negative compensation and modifications of financial liabilities (effective for periods commencing on or after 1 January 2019);
- IAS 12 Income Taxes – Amendments resulting from ‘Annual Improvements 2015-2017 Cycle’ (income tax consequences of dividends) (effective for periods commencing on or after 1 January 2019);
- IAS 19 Employee Benefits – Amendments regarding plan amendments, curtailments or settlements (effective for periods beginning on or after 1 January 2019);
- IAS 23 Borrowing costs – Amendments resulting from ‘Annual Improvements 2015-2017 Cycle’ (borrowing costs eligible for capitalisation) (effective for periods on or after 1 January 2019);
- IAS 1 Presentation of financial statements – Amendments regarding the definition of material (effective for periods commencing on or after 1 January 2020);
- IAS 6 Accounting Policies, Changes in Accounting Estimates and Errors – Amendments regarding the definition of material (effective for periods on or after 1 January 2020).

Current and deferred taxation

The tax expense for the period represents the sum 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.

SOUTHEND CARE LTD

Notes to the Financial Statements For the Year Ended 31 March 2019

2. ACCOUNTING POLICIES (continued)

Current and deferred taxation (continued)

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 2019 amounts to £5,513,000 (2018 : £5,498,000). Further details of the assumptions made are disclosed in note 13.

4. REVENUE

	2019	<i>1 May 2017</i>
	£	<i>to 31 March</i>
		2018
		£
SBC Block Contract Income	6,453,961	<i>5,313,745</i>
Other Income	125,819	<i>107,467</i>
	<u>6,579,780</u>	<i><u>5,421,212</u></i>

SOUTHEND CARE LTD

Notes to the Financial Statements For the Year Ended 31 March 2019

5. AUDITOR'S REMUNERATION

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

	£	£
Auditor's remuneration - audit services	9,050	8,900
Auditor's remuneration - non audit services	950	950
	<u>10,000</u>	<u>9,850</u>

6. EMPLOYEE EXPENSES

	2019 £	<i>1 May 2017 to 31 March 2018 £</i>
Wages and salaries	4,386,298	3,491,549
Employer national insurance	357,766	306,536
Employer pension costs	543,726	549,312
Recruitment	17,782	20,633
Training	4,944	3,290
Insurance	6,304	-
Agency spend	248,678	488,604
	<u>5,565,498</u>	<u>4,859,924</u>

Average employee numbers, including directors:

	2019 No.	2018 No.
Care and Support team - who support both Delaware and Priory House	32	20
Dementia and Complex Needs Residential Care Home - Delaware House	37	36
Elderly Frail Residential Care Home – Priory House	39	35
Head Office	9	8
Learning Disability - Employment Support Service	2	1
Learning Disability - Recruitment and training of Shared Livers Carers	3	3
Learning Disability Day Care Centre – Viking Day Centre	31	30
Learning Disability day services - Project 49	35	27
Learning Disability Supported Living Unit - Spencer House	13	9
Rehabilitation and Re-ablement service for Adults - Southend Therapy and Recovery Team (START)	33	27
Re-ablement service for Adults - Southend Care Enablement Team	5	-
	<u>239</u>	<u>196</u>

SOUTHEND CARE LTD

Notes to the Financial Statements For the Year Ended 31 March 2019

6. EMPLOYEE EXPENSES (continued)

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

	2019	2018
	£	£
Directors' emoluments	213,756	166,935
Company contributions to defined contribution pension schemes	4,143	3,610
	<u>217,899</u>	<u>170,545</u>

The number of directors for whom retirement benefits are accruing under defined benefit contribution schemes amounted to 6 (2018 : 5).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2019	2018
	£	£
Remuneration for qualifying services	<u>76,102</u>	<u>82,403</u>

Key management personnel (including Directors) received aggregate remuneration of £691,927 (2018 : £575,317).

7. PAYABLE INTEREST

	2019	<i>1 May 2017</i> <i>to 31 March</i> 2018
	£	£
Loan interest	<u>38,353</u>	<u>36,459</u>

SOUTHEND CARE LTD

Notes to the Financial Statements For the Year Ended 31 March 2019

8. TAXATION

Components of tax expense

	2019 £	2018 £
Current tax expense		
Current tax charge	8,479	-
Tax expense reported in income statement	<u>8,479</u>	<u>-</u>

Reconciliation of tax charge to accounting profit

	2019 £	2018 £
Tax at the domestic tax rate of 19%	44,195	-
Tax effect of non deductible IAS 19 expenses	(106,590)	-
Utilisation of tax losses	53,916	-
Tax expense using effective rate	<u>8,479</u>	<u>-</u>

9. TRADE AND OTHER RECEIVABLES

	2019 £	2018 £
Other amounts receivable	30,281	7,917
Owed by SBC	613,512	548,428
	<u>643,793</u>	<u>556,345</u>

10. CASH AND CASH EQUIVALENTS

	2019 £	2018 £
Cash at bank	507,330	492,858
Cash in hand	3,300	3,300
	<u>510,630</u>	<u>496,158</u>

11. TRADE AND OTHER PAYABLES

	2019 £	2018 £
Payable to others	125,082	158,230
Amounts owed to SBC	514,815	543,271
VAT owed to HMRC	105,327	70,095
Corporation tax payable	8,479	-
	<u>753,703</u>	<u>771,596</u>

SOUTHEND CARE LTD

Notes to the Financial Statements For the Year Ended 31 March 2019

12. PENSION COMMITMENTS

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

(a) Asset and liability reconciliation

	2019 £	2018 £
Reconciliation of liabilities		
Opening defined benefit obligation	16,300,000	7,436,000
Service cost	942,000	937,000
Interest cost	422,000	338,000
Change in financial assumptions	1,076,000	(1,000)
Change in demographic assumptions	(1,005,000)	-
Liabilities assumed on settlements	-	7,512,000
Estimated benefits paid net of transfer in Contributed by Scheme participants	(261,000) 151,000	(69,000) 147,000
Closing defined benefit obligation	<u>17,625,000</u>	<u>16,300,000</u>
	2019 £	2018 £
Reconciliation of assets		
Opening fair value of fund assets	10,802,000	4,796,000
Interest on assets	286,000	224,000
Return on assets less interest	617,000	346,000
Administration expenses	(4,000)	(2,000)
Contributions by employer including unfunded Contributions by Scheme participants	521,000 151,000	518,000 147,000
Estimated benefits paid plus unfunded net of transfers in	(261,000)	(69,000)
Settlement prices received	-	4,842,000
Closing fair value of fund assets	<u>12,112,000</u>	<u>10,802,000</u>
	2019 £	2018 £
Fair value of plan assets	12,112,000	10,802,000
Present value of plan liabilities	(17,625,000)	(16,300,000)
Net estimated pension scheme liability	<u>(5,513,000)</u>	<u>(5,498,000)</u>

SOUTHEND CARE LTD

Notes to the Financial Statements For the Year Ended 31 March 2019

12. PENSION COMMITMENTS (continued)

(b) Composition of plan assets

	% of scheme assets	2019 £	% of scheme assets	2018 £
Equities	62%	7,540,000	65%	7,050,000
Gilts	5%	643,000	7%	719,000
Bonds	6%	708,000	4%	401,000
Properties	9%	1,077,000	9%	1,025,000
Cash	3%	319,000	3%	371,000
Alternative assets	10%	1,181,000	7%	798,000
Other managed funds	5%	644,000	4%	438,000
		<u>12,112,000</u>		<u>10,802,000</u>

(c) Return on scheme assets

The overall return on scheme assets is estimated to be 8% in 2018/19 (7% 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 £903,000 for the period to 31 March 2019 (£570 : 2018).

- (d) A full actuarial valuation was carried out for the defined benefit scheme at 31 March 2016 and updated to 31 March 2019 by Barnett Waddingham using the projected unit method. The major assumptions used by the actuary were:

	2019 %	2018 %
Main assumptions:		
Rate of increase in salaries	3.9	3.8
Rate of increase in pensions	2.4	2.3
Discount rate	2.45	2.6

(e) Movement in deficit during the period

	2019 £	2018 £
Pension deficit brought forward	(5,498,000)	(2,640,000)
Pension liability upon transfer (1 July 2017 and 13 November 2017)	-	(2,670,000)
Service cost	(946,000)	(939,000)
Net interest on the defined liability	(136,000)	(114,000)
Employer contributions	521,000	518,000
Return on assets	617,000	346,000
Change in assumptions	(71,000)	1,000
At 31 March 2019	<u>(5,513,000)</u>	<u>(5,498,000)</u>

SOUTHEND CARE LTD

Notes to the Financial Statements For the Year Ended 31 March 2019

12. PENSION COMMITMENTS (continued)

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

	2019 £	2018 £
Service cost	942,000	937,000
Employer contributions	(521,000)	(518,000)
Administration expenses	4,000	2,000
IAS 19 adjustment	<u>425,000</u>	<u>421,000</u>
Analysis of amounts charged to finance costs:		
Other finance costs: Interest costs	<u>136,000</u>	<u>114,000</u>
IAS 19 adjustment	<u>561,000</u>	<u>535,000</u>

During the year to 31 March 2019 the employer contribution rate was 21.9% (2018 : 21.91%).

(g) Life assumptions:

	2018	2018
Life expectancy from age 65 (years):		
Current pensioner aged 65		
Male	21.3	22.2
Female	23.6	24.7
Retiring in 20 years		
Male	22.9	24.4
Female	25.4	27.0

13. BORROWINGS

	2019 £	2018 £
Amounts owed to SBC:		
Working capital	350,000	350,000
Implementation loan	14,573	214,573
	<u>364,573</u>	<u>564,573</u>

SOUTHEND CARE LTD

Notes to the Financial Statements For the Year Ended 31 March 2019

14. SHARE CAPITAL

	2019		2018	
	No.	£	No.	£
Issued and unpaid				
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

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

15. 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).

Pension reserve

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

16 FINANCIAL INSTRUMENTS

	2019	2018
	£	£
Financial assets		
Financial assets which are debt instruments measured at amortised cost	<u>643,693</u>	<u>556,345</u>
	<u>643,693</u>	<u>556,345</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>644,893</u>	<u>701,501</u>
	<u>644,893</u>	<u>701,501</u>

SOUTHEND CARE LTD

Notes to the Financial Statements For the Year Ended 31 March 2019

17. 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.

18. 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 and its wholly owned subsidiaries, as a government body that has control over the reporting entity.

There were no other related party transactions during the period.

19. ULTIMATE CONTROLLING PARTY

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