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Grant Thornton

Financial statements Essex Cares Limited and its subsidiary undertakings

For the Year Ended 31 March 2010

Company No. 06723149

Contents

Report of the directors

The directors present their report and the financial statements of the group for the year ended 31 March 2010

Principal activities and business review

The principal activities of the company and the group are those of providing social care and associated products The group commenced trading on 1 July 2009

The trading results for the period and the group's financial position at the end of the period are shown in the attached financial statements, and are discussed further in the business review below

Financial overview

In its first period of trading, the group has delivered results slightly ahead of expectations Profit before tax was £0 4 million, which was ahead of budget by £0 2 million

The directors are pleased with the performance during the year and believe that the Essex Cares Group is in a strong position to continue to expand in line with the business plan

Financial Performance

Whilst turnover was in line with expectations, gross profit performance in respect of Essex Equipment Service was below expectations

The audit report highlights the difficulties experienced in one part of our business, Essex Equipment Service, with regard to stock measurement and control This highlights the need for a significant investment to transform the systems and processes at Essex Equipment Service

Costs were extremely well controlled and efficiencies were greater than budgeted

Summary of key performance indicators

The directors are in the process of developing key performance indicators to enable them to assess the overall strategic performance of the business

The directors also measure 39 "contract KPIs" across our services which are monitored as part of the contract with our major customer, Essex County Council Performance in these has been very good with the vast majority having exceeded target levels

Strategy

The strategy adopted during the year has been to establish the new group in the marketplace This has entailed establishing the relevant governance and management structures whilst ensuring that contracted efficiency targets and outcomes are met

Our future strategy aims to transform our services to respond to the rapidly changing social care marketplace as well as diversifying our customer base

Report of the directors (continued)

Results and dividends

The profit for the year, after taxation, amounted to £265,421 The directors have not recommended a dividend

Financial risk management objectives and policies

The group uses various financial instruments including loans, cash and various working capital items, such as trade debtors and trade creditors that arise directly from its operations The main purpose of these financial instruments is to raise finance for the group's operations

The main risks arising from the group's financial instruments are interest rate risk, credit risk and liquidity risk The directors review and agree policies for managing each of these risks and they are summarised below

Liquidity risk

The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably

The group is developing its policies on liquidity risk and currently maintains short-term flexibility through a commercial funding arrangement from Essex County Council

Interest rate risk

The group finances its operations using the funding arrangement outlined above All borrowings are currently at a floating rate of interest

Credit risk

The group's principal financial assets are cash and trade debtors The credit risk associated with both cash and trade debtors is limited as the counterparties have high credit ratings

Directors

The directors who served the company during the year were as follows

Mr M Lloyd - retired as a director on 30 March 2010
Mr R Thompson - retired as a director on 30 March 2010
Mr C Broadhurst - appointed as a director on 31 March 2010
Mr P George - appointed as a director on 30 March 2010
Mr E Lyne - appointed as a director on 30 March 2010
Ms S Malik - appointed as a director on 30 March 2010
Mr C Beckwith - appointed as a director on 30 March 2010
Ms W Grafton - appointed as a director on 30 March 2010
Mr C Perone - appointed as a director on 31 March 2010 and retired as a director on 30 June 2010

Report of the directors (continued)

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that year In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business

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

In so far as the directors are aware

- there is no relevant audit information of which the group's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

Report of the directors (continued)

Disabled employees

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

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

Employee involvement

The group is establishing a practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the group This is currently achieved through consultations with employee representatives on specific matters and the group newsletter for more general matters The directors intend to establish an employee forum during the current financial year in order to further enhance employee involvement

Auditor

Grant Thornton UK LLP offer themselves for re-appointment in accordance with the Companies Act 2006

ON BEHALF OF THE BOARD

E Lyne
Director
17 September 2010

Grant Thornton

Independent auditor's report to the members of Essex Cares Limited

We have audited the group and parent company financial statements ("the financial statements") of Essex Cares Limited for the year ended 31 March 2010 which comprise the group profit and loss account, the group and parent company balance sheets, the group cash flow statement, the group statement of total recognised gains and losses and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/UKNP

Independent auditor's report to the members of Essex Cares Limited (continued)

Qualified opinion on financial statements arising from limitation in audit scope

With respect to opening equipment stock having a carrying amount of £1,510,086 the audit evidence available to us was limited because we did not observe the counting of the opening physical stock as at 1 July 2009, the date of the transfer of such stock from Essex County Council, and therefore did not obtain sufficient audit evidence as required by Auditing Standard ISA501 since that date was prior to our appointment as auditor of the company

In addition the provision in respect of the liability for repurchase of equipment stock at 1 July 2009 amounting to £458,947, was compiled based on information held on the stock recording system at that date This information had been entered onto that record in the years prior to the transfer date and the date of our appointment Owing to the nature of the stock movement records before the transfer on 1 July 2009, we were unable to obtain sufficient appropriate audit evidence regarding the opening stock quantities or the provision for repurchase of equipment stock at 1 July 2009 by using other audit procedures

Except for the financial effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to physical stock quantities and provision for repurchase of equipment stock at 1 July 2009, in our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2010 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Matters on which we are required to report by exception

In respect solely of the limitation of our work relating to stock and the provision for repurchase of equipment stock described above

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit, and
- we were unable to determine whether adequate accounting records had been kept

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

- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made,

Grant Thornton UK LLP

JAMES BROWN (Senior Statutory Auditor)
For and on behalf of
GRANT THORNTON UK LLP
STATUTORY AUDITOR
CHARTERED ACCOUNTANTS

28 September 2010

Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention

Going concern

The group relies on a contract with Essex County Council to provide certain services to the Council If the contract were to be withdrawn, this would significantly affect the ability of the group to continue to trade The current contract runs for a period of 3 years until 1 July 2012 with a possible 2 year extension until 1 July 2014 The directors maintain close contact with Essex County Council who have confirmed that they will use reasonable endeavours to support Essex Cares Limited as a going concern as per existing contractual arrangements and through existing overdraft facilities Therefore the directors consider that the accounts have been properly prepared on the going concern basis

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all group undertakings These are adjusted, where appropriate, to conform to group accounting policies

As a consolidated group profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006

Related parties transactions

The company is a wholly owned subsidiary of Essex County Council, the consolidated accounts of which are publicly available Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with members of the group

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax

Within Essex Equipment Service division, turnover represents sales of equipment to third parties net of credit notes issued

Goodwill

Purchased goodwill, representing the excess of the fair value of the consideration given over the fair values of the identifiable assets acquired, is capitalised and is amortised on a straight line basis over its expected useful life Negative goodwill is written back to the profit and loss account to match the recovery of the non-monetary assets acquired as follows

Negative Goodwill - 3 years straight line

Fixed assets

All fixed assets are initially recorded at cost

Accounting policies

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Plant & Machinery	-	2 to 10 years straight line
Fixtures & Fittings	-	2 to 4 years straight line

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease

Pension costs and other post-retirement benefits

The group operates a defined benefit pension scheme for employees The assets of the scheme are held separately from those of the group

Pension scheme liabilities are measured on an actuarial basis using a projected unit method and are discounted to their present value using a weighted average rate of spot yields on AA corporate bonds

Pension scheme assets are valued at market value at the balance sheet date

The pension scheme surplus, to the extent that it can be recovered, is recognised in full on the balance sheet

The deferred tax relating to a defined benefit asset is offset against the defined benefit asset and not included with other deferred tax assets or liabilities

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Accounting policies

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities Financial liabilities are presented as such in the balance sheet Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account Finance costs are calculated so as to produce a constant rate of return on the outstanding liability

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument Dividends and distributions relating to equity instruments are debited direct to equity

Group profit and loss account

	Note	2010 £	2009 £
Group turnover	1	27,447,005	–
Cost of sales		7,063,590	–
Gross profit		20,383,415	–
Other operating charges	2	19,795,719	–
Operating profit	3	587,696	–
Interest receivable and similar income	6	17,160	–
Interest payable and similar charges	7	(160,069)	–
Profit on ordinary activities before taxation		444,787	–
Tax on profit on ordinary activities	8	179,366	–
Profit for the financial year	9	265,421	–

All of the activities of the group are classed as continuing

The company has taken advantage of section 408 of the Companies Act 2006 not to publish its own Profit and Loss Account

Group balance sheet

	Note	2010 £	2009 £
Fixed assets			
Intangible assets	10	**(504,900)**	–
Tangible assets	11	**370,624**	–
		(134,276)	–
Current assets			
Stocks	13	**1,749,436**	–
Debtors	14	**9,397,202**	100
Cash at bank		**57,459**	–
		11,204,097	100
Creditors: amounts falling due within one year	16	**10,759,667**	–
Net current assets		**444,430**	100
Total assets less current liabilities		**310,154**	100
Provisions for liabilities			
Other provisions	17	**520,124**	–
Net (liabilities)/assets excluding pension asset		(209,970)	100
Defined benefit pension scheme asset	18	**3,217,679**	–
Net assets including pension asset		**3,007,709**	100
Capital and reserves			
Called-up equity share capital	21	**100**	100
Profit and loss account	22	**3,007,609**	–
Shareholders' funds	23	**3,007,709**	100

These financial statements were approved by the directors and authorised for issue on 17 September 2010, and are signed on their behalf by

E Lyne
Director

Company balance sheet

	Note	2010 £	2009 £
Fixed assets			
Intangible assets	10	**(504,900)**	–
Tangible assets	11	**370,624**	–
Investments	12	**300**	300
		(133,976)	300
Current assets			
Stocks	13	**1,749,436**	–
Debtors	14	**10,035,207**	100
Cash at bank		**57,459**	–
		11,842,102	100
Creditors: amounts falling due within one year	16	**10,759,967**	300
Net current assets/(liabilities)		**1,082,135**	(200)
Total assets less current liabilities		**948,159**	100
Provisions for liabilities			
Other provisions	17	**520,124**	–
Net assets excluding pension asset		**428,035**	100
Defined benefit pension scheme asset	18	**168,220**	–
Net assets including pension asset		**596,255**	100
Capital and reserves			
Called-up equity share capital	21	**100**	100
Profit and loss account	22	**596,155**	–
Shareholders' funds		**596,255**	100

These financial statements were approved by the directors and authorised for issue on 17 September 2010, and are signed on their behalf by

E Lyne
Director

Company Registration Number 06723149

Group cash flow

	Note	2010 £	2009 £
Net cash inflow from operating activities	24	**319,371**	–
Returns on investments and servicing of finance			
Interest received		**161**	–
Net cash inflow from returns on investments and servicing of finance		**161**	–
Taxation		–	–
Capital expenditure			
Payments to acquire tangible fixed assets		**(310,248)**	–
Net cash outflow from capital expenditure		**(310,248)**	–
Acquisitions & disposals			
Cash transferred on acquisition		**48,175**	–
Net cash inflow from acquisitions & disposals		**48,175**	–
Financing			
Issue of equity share capital		–	–
Net cash inflow from financing		–	–
Increase in cash	25	**57,459**	–

Other primary statements

Statement of total recognised gains and losses

	2010	2009
	£	£
Profit for the financial year attributable to the shareholders of the parent company	265,421	–
Actuarial gain in respect of defined benefit pension scheme	3,652,001	–
Deferred tax in respect of defined benefit pension scheme	(909,813)	–
Total gains and losses recognised for the year	3,007,609	–

Notes to the financial statements

1 Turnover

The turnover and profit before tax are attributable to the one principal activity of the group
An analysis of turnover is given below

	2010	2009
	£	£
United Kingdom	27,447,005	-

Turnover by division	£	£
Essex Community Support	9,555,158	–
Essex Equipment Service	9,782,448	–
Essex Employment & Inclusion	7,890,082	–
Other	219,317	–
	27,447,005	–

2 Other operating charges

	2010	2009
	£	£
Administrative expenses	19,795,719	–

3 Operating profit

Operating profit is stated after charging

	2010	2009
	£	£
Amortisation of intangible assets	(168,300)	–
Depreciation of owned fixed assets	18,858	–
Auditor's remuneration		
- Audit fees	32,500	–
- Taxation	8,500	–
- Other services	18,400	
Operating lease costs		
- Other	1,158,906	–

4 Particulars of employees

The average number of full time equivalent staff employed by the group during the financial year amounted to

	2010	2009
	No	No
Number of administrative staff	616	–
Number of management staff	22	–
	638	–

The aggregate payroll costs of the above were

	2010	2009
	£	£
Wages and salaries	10,735,953	–
Social security costs	673,945	–
Other pension costs	1,313,515	–
	12,723,413	–

Other pension costs are amounts charged to operating profit and do not include amounts credited to finance income (see note 6) and amounts recognised in the statement of recognised gains and losses as a result of applying FRS 17

5 Directors

Remuneration in respect of directors was as follows

	2010	2009
	£	£
Remuneration receivable	169,234	–

The number of directors who accrued benefits under company pension schemes was as follows

	2010	2009
	No	No
Defined benefit schemes	2	–

6 Interest receivable and similar income

	2010	2009
	£	£
Bank interest receivable	161	–
Net finance income in respect of defined benefit pension schemes	16,999	–
	17,160	–

7 Interest payable and similar charges

	2010	2009
	£	£
Interest paid to group undertakings	160,069	–

8 Taxation on ordinary activities

(a) Analysis of charge in the year

	2010	2009
	£	£
Current tax		
UK Corporation tax based on the results for the year at 28% (2009 - 28%)	142,196	-
Total current tax	142,196	-
Deferred tax		
Origination and reversal of timing differences	37,170	-
Tax on profit on ordinary activities	179,366	-

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 28% (2009 - 28%)

	2010	2009
	£	£
Profit on ordinary activities before taxation	444,787	-
Profit on ordinary activities by rate of tax	124,540	-
Expenses (deductible)/not deductible for tax purposes	(5,058)	-
Capital allowances for period in excess of depreciation	(21,215)	-
Other timing differences	43,929	-
Total current tax (note 8(a))	142,196	-

9 Profit attributable to members of the parent company

The profit dealt with in the financial statements of the parent company was £452,793 (2009 - £Nil)

10 Intangible fixed assets

Group and company	Negative goodwill £
Cost	
Additions	673,200
At 31 March 2010	**673,200**
Amortisation	
Charge for the year	168,300
At 31 March 2010	**168,300**
Net book value	
At 31 March 2010	**504,900**
At 31 March 2009	–

On 1 July 2009 the company acquired certain trading activities together with related assets and liabilities from Essex County Council

The company acquired fixed assets and the equipment stock on hand at 1 July 2009 valued at the lower of cost or net realisable value The company took over responsibility for the defined benefit pension fund operated for its employees by Essex County Council

The company also took over the liability for repurchasing stock from customers referred to in note 17 The equipment stock and liability for repurchase were acquired at the directors' best estimate of fair value The pension scheme assets and liabilities were valued at 30th June 2009 in accordance with FRS17 and gave rise to a pension scheme surplus for which no payment was made The excess of the fair value of assets over liabilities and consideration paid creates negative goodwill which is to be written off over its useful life estimated at three years

11 Tangible fixed assets

Group	Plant & Machinery £	Fixtures & Fittings £	Equipment £	Total £
Cost				
Additions	209,304	30,000	150,178	389,482
At 31 March 2010	209,304	30,000	150,178	389,482
Depreciation				
Charge for the year	13,233	5,625	–	18,858
At 31 March 2010	13,233	5,625	–	18,858
Net book value				
At 31 March 2010	**196,071**	**24,375**	**150,178**	**370,624**
At 31 March 2009	–	–	–	–

11 Tangible fixed assets (continued)

Company	Plant & Machinery £	Fixtures & Fittings £	Equipment £	Total £
Cost				
Additions	209,304	30,000	150,178	389,482
At 31 March 2010	209,304	30,000	150,178	389,482
Depreciation				
Charge for the year	13,233	5,625	–	18,858
At 31 March 2010	13,233	5,625	–	18,858
Net book value				
At 31 March 2010	**196,071**	**24,375**	**150,178**	**370,624**
At 31 March 2009	–	–	–	–

12 Investments

Company	Group companies £
Cost	
At 1 April 2009 and 31 March 2010	**300**
Net book value	
At 31 March 2010 and 31 March 2009	**300**

At 31 March 2010 the company held 100% of the ordinary equity share capital of the following

	Country of incorporation	Nature of business
Subsidiary undertakings		
Essex Equipment Service Limited	England and Wales	Employment of staff
Essex Employment and Inclusion Limited	England and Wales	Employment of staff
Essex Community Support Limited	England and Wales	Employment of staff

13 Stocks

	The Group 2010 £	2009 £	The Company 2010 £	2009 £
Finished goods	**1,749,436**	–	**1,749,436**	–

14 Debtors

	The group 2010 £	The group 2009 £	The company 2010 £	The company 2009 £
Trade debtors	**52,126**	–	**52,126**	–
Amounts owed by group undertakings	**8,932,592**	100	**9,570,597**	100
VAT recoverable	**105,978**	–	**105,978**	–
Other debtors	**161,901**	–	**161,901**	–
Deferred taxation (Note 15)	**42,536**	–	**42,536**	–
Prepayments and accrued income	**102,069**	–	**102,069**	–
	9,397,202	100	**10,035,207**	100

The debtors above include the following amounts falling due after more than one year

	The group 2010 £	The group 2009 £	The company 2010 £	The company 2009 £
Amounts owed by group undertakings	**100**	100	**100**	100

15 Deferred taxation

The movement in the deferred taxation asset during the year was

	The group 2010 £	The group 2009 £	The company 2010 £	The company 2009 £
Provision for year	**42,536**	-	**42,536**	-
Asset carried forward	**42,536**	-	**42,536**	-

The group and the company's asset for deferred taxation consists of the tax effect of timing differences in respect of

The group and the company	2010 Provided £	2010 Unprovided £	2009 Provided £	2009 Unprovided £
Excess of taxation allowances over depreciation on fixed assets	**(1,393)**	-	-	-
Other timing differences	**43,929**	-	-	-
	42,536	-	-	-

16 Creditors: amounts falling due within one year

	The group		The company	
	2010	2009	**2010**	2009
	£	£	**£**	£
Trade creditors	**789,832**	–	**789,832**	–
Amounts owed to group undertakings	**7,396,060**	–	**7,396,360**	300
Corporation tax	**142,196**	–	**142,196**	–
Other taxation and social security	**302,070**	–	**302,070**	–
Other creditors	**219,830**	–	**219,830**	–
Accruals and deferred income	**1,909,679**	–	**1,909,679**	–
	10,759,667	–	**10,759,967**	300

Included within the above is £156,890 (2009 - £nil) relating to outstanding pension payments

17 Other provisions

	The group		The company	
	2010	2009	**2010**	2009
	£	£	**£**	£
Other provisions:				
Repurchase provision	**520,124**	-	**520,124**	-
At 31 March 2010	**520,124**	-	**520,124**	-

A provision is made in respect of the cost of repurchasing equipment sold to customers who have a contractual right to return the equipment when it is no longer required This liability, which is shown net of the estimated value of the returned stock, is recognised as a provision in the company's accounts

Each item of equipment sold has an agreed buy-back cost set at a percentage of original sales value The provision represents an estimate of the total liability if all equipment is returned less the estimated proportion of such equipment which is never returned, based on historical stock records The calculation of the provision also takes account of the estimated value of the stock that is likely to be returned by the customer to the company The value attributed to the returned total stock is its repurchase cost, less an estimate to account for assets that are returned and scrapped for quality reasons, and the average cost of refurbishment required to bring the equipment back to a saleable condition These factors are determined through historical experience shown by the Company's stock recording system

As customers are entitled to keep a piece of equipment for as long as they need it, it may be returned after a period of several years and hence the timing of any liability is uncertain

18 Pensions and other post retirement benefits

The group operates a defined benefit multi-employer pension scheme providing benefits based on final pensionable pay The assets of the scheme are held separately from those of the group and are administered by trustees No other post-retirement benefits are provided The scheme is a funded scheme The assets and liabilities are recognised by each employer according to its individual employees

The key FRS 17 assumptions used for the scheme are set out below along with details of amounts included within the accounts in respect of the pension scheme No comparative information is included as the pension scheme assets and liabilities were transferred from Essex County Council during the year The transfer was completed on a fully-funded basis using 2007 actuarial valuation assumptions which gave rise to an initial pension scheme asset of £935k on transfer, calculated using FRS 17 assumptions

The amounts recognised in the profit and loss account are as follows

	2010	2009
	£	£
Amounts charged to operating profit		
Current service cost	1,284,000	–
Total operating charge	1,284,000	–

Estimated employer contributions for the year to 31 March 2011 are £1 53m

	2010	2009
Amounts included in other finance income		
Expected return on scheme assets	(1,554,000)	–
Interest on scheme liabilities	1,537,001	–
Other finance income	(16,999)	–
Total charge to the profit and loss account	1,267,001	–

Other finance income is included in the profit and loss account within interest receivable and similar income

The following amounts have been recognised within the statement of total recognised gains and losses under FRS17

	2010	2009
	£	£
Actuarial gains on assets	7,229,000	–
Actuarial losses on liabilities	(3,577,000)	–
Deferred tax movement	(909,813)	–
Total operating charge	2,742,187	–

The amounts recognised in the balance sheet are as follows

	The group	The company
	2010	2010
	£	£
Present value of funded obligations	(38,221,001)	(1,998,199)
Fair value of scheme assets	42,690,000	2,231,838
	4,468,999	233,639
Related deferred tax liability	(1,251,320)	(65,419)
Net pension asset	3,217,679	168,220

18 Pensions and other post retirement benefits (continued)

Changes in the present value of the defined benefit obligation scheme are as follows

	The group 2010 £	The company 2010 £
Current service cost	1,284,000	67,128
Interest on scheme liabilities	1,537,001	80,355
Actuarial loss	3,577,000	187,006
Liabilities acquired on business combinations	31,433,999	1,643,373
Contributions by scheme participants	504,000	26,349
Benefits paid	(114,999)	(6,012)
Closing defined benefit obligation	38,221,001	1,998,199

Changes in the fair value of scheme assets are as follows

	The group 2010 £	The company 2010 £
Expected return on scheme assets	1,554,000	81,243
Contributions by employer	1,148,999	60,070
Contributions by scheme participants	504,000	26,349
Actuarial gain	7,229,000	377,933
Assets acquired in business combinations	32,369,000	1,692,255
Benefits paid	(114,999)	(6,012)
Closing fair value of scheme assets	42,690,000	2,231,838

The principal actuarial assumptions as at the balance sheet date were

	2010 %	2009 %
Discount rate	5.60	–
Rate of increase in salaries	4 05	–
Rate of increase in pensions in payment	3.30	–
Inflation	3.30	–

On the basis of the assumptions used for life expectancy, a male pensioner currently aged 65 would be expected to survive for a further 22 1 years Allowance is made for future improvements in life expectancy

Asset distribution and expected return	2010 Expected return %	2010 Investment %
Equities	7.5	67 5
Government bonds	4 5	7 9
Other bonds	5.2	10.0
Property	6.5	9.3
Cash/Liquidity	0 5	5.3
		100 0

19 Commitments under operating leases

At 31 March 2010 the group and the company had annual commitments under non-cancellable operating leases as set out below

The group and the company	Land and buildings 2010	2009
	£	£
Operating leases which expire		
Within 1 year	1,242,315	-

20 Related party transactions

The company is a wholly owned subsidiary of Essex County Council, the consolidated accounts of which are publicly available Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with members of the group

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

21 Share capital

Authorised share capital

	2010	2009
	£	£
1,000 Ordinary shares of £1 each	1,000	1,000

Allotted, called up and unpaid

	2010 No	2010 £	2009 No	2009 £
100 Ordinary shares of £1 each	100	100	100	100

22 Reserves

Group	Profit and loss account £
Profit for the year	265,421
Defined benefit pension scheme	2,742,188
At 31 March 2010	3,007,609

Company	Profit and loss account £
Profit for the year	452,793
Defined benefit pension scheme	143,362
At 31 March 2010	596,155

23 Reconciliation of movements in shareholders' funds

	2010	2009
	£	£
Profit for the financial year	265,421	–
New ordinary share capital subscribed	–	100
Defined benefit pension scheme	2,742,188	–
Net addition to shareholders' funds	3,007,609	100
Opening shareholders' funds	100	–
Closing shareholders' funds	3,007,709	100

24 Reconciliation of operating profit to net cash inflow from operating activities

	2010	2009
	£	£
Operating profit	587,696	–
Amortisation	(168,300)	–
Depreciation	18,858	–
Increase in stocks	(239,350)	–
Increase in debtors	(9,354,566)	–
Increase in creditors	9,413,856	–
Increase in provisions	61,177	–
Net cash inflow from operating activities	319,371	–

25 Reconciliation of net cash flow to movement in net funds

	2010	2009
	£	£
Increase in cash in the period	57,459	–
Movement in net funds in the period	57,459	–
Net funds at 1 April 2009	–	–
Net funds at 31 March 2010	57,459	–

26 Analysis of changes in net funds

	At 1 Apr 2009	Cash flows	At 31 Mar 2010
	£	£	£
Net cash			
Cash in hand and at bank	–	57,459	57,459
Net funds	–	57,459	57,459