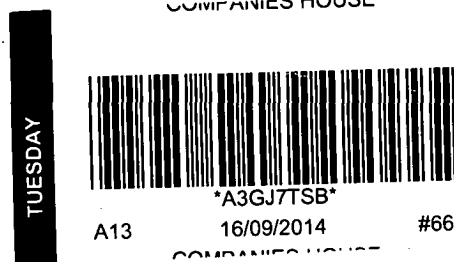


Financial Statements Essex Cares Limited

For the year ended 31 March 2014



Registered number: 06723149

Company Information

Directors

Mrs E J Chidgey
Mr P W George
Mr P J Martin (appointed 1 August 2013)
Mr J M Coyle (appointed 21 March 2014)
Mr J A Spence (appointed 01 May 2014)

Registered number

06723149

Registered office

PO Box 12211
Victoria Road South
Chelmsford
Essex
CM1 9WR

Independent auditor

Grant Thornton UK LLP
Chartered Accountants & Statutory Auditor
Crown House
Crown Street
Ipswich
Suffolk
IP1 3HS

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Directors' report

For the year ended 31 March 2014

The directors present their report and the financial statements for the year ended 31 March 2014.

Directors' responsibilities statement

The directors are responsible for preparing the Group strategic report, 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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

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

Results

The loss for the year, after taxation, amounted to £789,151 (2013 - profit 1,360,192).

Directors

The directors who served during the year were:

Mrs E J Chidgey

Mr P W George

Mrs S Garner (resigned 10 December 2013)

Mrs T Greatrex (resigned 12 December 2013)

Mrs W J Grafton (resigned 30 May 2014)

Mr P J Martin (appointed 1 August 2013)

Mr J M Coyle (appointed 21 March 2014)

Directors' report

For the year ended 31 March 2014

Disclosure of information to auditor

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

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

Auditor

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

This report was approved by the board on 1 September 2014 and signed on its behalf.



Mrs E J Chidgey
Director

Group strategic report

For the year ended 31 March 2014

Principal activities

The principal activities of the company and the group are those of providing social care and associated products and services.

Business review

Essex Cares continues to bring substantial improvements to customers' lives by offering various services that allow independence to be sought or maintained. Essex Cares' mission statement outlines the aim of the group to become the 'partner of choice nationally' and this vision is shared by staff across the entire group. The continual drive by operational staff to improve our services is clearly demonstrated. Our aim is to integrate health and social services into local communities and the first 'hub' in Harlow has achieved this and is providing seamless pathways to improve peoples' lives. This modern multi-purpose approach places Essex Cares in an attractive position in comparison to competitors and enables development of health and social care services as a 'one stop shop'.

Although 2013-2014 has been a challenging year for Essex Cares financially this reflects the investment the group is making in improving services to customers. This year has seen a tremendous amount of work completed to understand processes to ensure efficiency is delivered across the whole business. The work has allowed a critical view to be taken to allow for the necessary changes to be made in preparation to deliver against the integration agenda.

There have been changes to the senior leadership team throughout the year. A new director has been appointed to the role of 'Quality and Clinical Governance director', with the skills and expertise needed to lead on the integration agenda. This demonstrates Essex Cares commitment to delivering innovative services. The leadership team is now equipped to ensure the group continually strives for improvements and is taking positive steps towards achieving its business plan goals and overall company vision.

The relationship with our shareholder has improved over the year with much closer partnership working now in place. The shareholder is more actively involved in developing and supporting the group.

Quality of services remains high on Essex Cares agenda with an internal team dedicated to ensuring regulatory standards are met across the whole business. All regulatory standards as laid down by the Care Quality Commission have been met in the year. In addition achievement of ISO9001, an internationally accredited Quality Framework assurance ensures that systems and processes are in place to allow staff to maximise the customer experience.

Information governance has been formally structured within the group in the year with the appointment of an Information Governance Manager and a Caldicott Guardian role. The group has submitted its first Information Governance toolkit audit. This tool kit is widely recognised within the Health sector and provides assurance to our Health partners as the integration agenda is implemented.

Our staff are our most important asset and have been recognised for the quality of services they provide with the company being shortlisted for 3 different national and regional awards during the year.

Group strategic report (continued)

For the year ended 31 March 2014

Principal risks and uncertainties

The group aims to minimise financial risk by the directors preparing profit and cashflow forecasts, monitoring performance against these, and ensuring that adequate financing arrangements are in place.

Credit risk is minimised through the use of rigorous credit checks and credit limits which form an integral part of the group's internal controls.

This report was approved by the board on 1 September 2014 and signed on its behalf.


Mrs E J Chidgey
Director

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

We have audited the financial statements of Essex Cares Limited for the year ended 31 March 2014, which comprise the Consolidated profit and loss account, the Consolidated statement of total recognised gains and losses, the Consolidated and Company balance sheets, the Consolidated cash flow statement, 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 auditor

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (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 Financial Reporting Council's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2014 and of the group's loss 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Group strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.



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

Matters on which we are required to report by exception

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

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

Grant Thornton UK LLP

James Brown (Senior statutory auditor)

for and on behalf of

Grant Thornton UK LLP

Chartered Accountants

Statutory Auditor

Ipswich

Date: 8 September 2014

Consolidated profit and loss account

For the year ended 31 March 2014

	Note	2014 £	2013 £
Turnover	1,2	39,957,238	38,624,069
Cost of sales		<u>(12,740,927)</u>	<u>(10,557,080)</u>
Gross profit		27,216,311	28,066,989
Administrative expenses		<u>(28,441,202)</u>	<u>(27,125,800)</u>
Operating (loss)/profit	3	(1,224,891)	941,189
Interest receivable and similar income		5,292	6,748
Interest payable and similar charges	6	(987)	(1,348)
Other finance income	7	<u>393,000</u>	<u>488,000</u>
(Loss)/profit on ordinary activities before taxation		(827,586)	1,434,589
Tax on (loss)/profit on ordinary activities	8	<u>38,435</u>	<u>(74,397)</u>
(Loss)/profit for the financial year	16	<u><u>(789,151)</u></u>	<u><u>1,360,192</u></u>

All amounts relate to continuing operations.

The notes on pages 12 to 27 form part of these financial statements.

Consolidated statement of total recognised gains and losses

For the year ended 31 March 2014

	Note	2014 £	2013 £
(Loss)/profit for the financial year		(789,151)	1,360,192
Actuarial gain/(loss) related to pension scheme	22	<u>5,908,000</u>	<u>1,623,000</u>
Total recognised gains and losses relating to the year		<u>5,118,849</u>	<u>2,983,192</u>

The notes on pages 12 to 27 form part of these financial statements.

Consolidated balance sheet

As at 31 March 2014

	Note	£	2014 £	2013 £
Fixed assets				
Tangible assets	9		1,039,596	766,393
Current assets				
Stocks	11	1,322,028	1,132,300	
Debtors	12	6,554,189	6,501,247	
Cash at bank		450	670,775	
		<u>7,876,667</u>	<u>8,304,322</u>	
Creditors: amounts falling due within one year	13	<u>(4,169,216)</u>	<u>(3,801,395)</u>	
Net current assets			<u>3,707,451</u>	<u>4,502,927</u>
Total assets less current liabilities			<u>4,747,047</u>	<u>5,269,320</u>
Provisions for liabilities				
Other provisions	14	<u>(406,234)</u>	<u>(670,356)</u>	
Net assets excluding pension scheme assets			<u>4,340,813</u>	<u>4,598,964</u>
Defined benefit pension scheme asset	22	<u>5,826,000</u>	<u>5,826,000</u>	<u>449,000</u>
Net assets including pension scheme assets			<u>10,166,813</u>	<u>5,047,964</u>
Capital and reserves				
Called up share capital	15	<u>100</u>	<u>100</u>	<u>100</u>
Profit and loss account	16	<u>10,166,713</u>	<u>5,047,864</u>	<u>5,047,864</u>
Shareholders' funds	17	<u>10,166,813</u>	<u>5,047,964</u>	<u>5,047,964</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 1/9/14.



Mrs E J Chidgey
Director

The notes on pages 12 to 27 form part of these financial statements.

Company balance sheet

As at 31 March 2014

	Note	£	2014 £	£	2013 £
Fixed assets					
Tangible assets	9		1,039,596		766,393
Investments	10		300		300
			<u>1,039,896</u>		<u>766,693</u>
Current assets					
Stocks	11	1,322,028		1,132,300	
Debtors	12	7,192,194		7,139,252	
Cash at bank		450		670,775	
			<u>8,514,672</u>	<u>8,942,327</u>	
Creditors: amounts falling due within one year	13	(4,169,515)		(3,801,694)	
Net current assets			<u>4,345,157</u>		<u>5,140,633</u>
Total assets less current liabilities			<u>5,385,053</u>		<u>5,907,326</u>
Provisions for liabilities					
Other provisions	14		(406,234)		(670,356)
Net assets excluding pension scheme assets			<u>4,978,819</u>		<u>5,236,970</u>
Defined benefit pension scheme asset	22		433,000		108,000
Net assets including pension scheme assets			<u>5,411,819</u>		<u>5,344,970</u>
Capital and Reserves					
Called up share capital	15		100		100
Profit and loss account	16		5,411,719		5,344,870
Shareholders' funds	17		<u>5,411,819</u>		<u>5,344,970</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 1/9/14.


 Mrs E J Chidgey
 Director

The notes on pages 12 to 27 form part of these financial statements.

Consolidated cash flow statement

For the year ended 31 March 2014

	Note	2014 £	2013 £
Net cash flow from operating activities	18	25,882	(1,015,331)
Returns on investments and servicing of finance	19	4,305	5,400
Taxation		(93,096)	2,708
Capital expenditure and financial investment	19	(628,058)	(599,978)
Decrease in cash in the year		(690,967)	(1,607,201)

Reconciliation of net cash flow to movement in net funds/debt

For the year ended 31 March 2014

	2014 £	2013 £
Decrease in cash in the year	(690,967)	(1,607,201)
Change in net debt resulting from cash flows	(690,967)	(1,607,201)
Other non-cash changes	-	(3)
Movement in net debt in the year	(690,967)	(1,607,204)
Net funds at 1 April 2013	670,775	2,277,979
Net (debt)/funds at 31 March 2014	(20,192)	670,775

The notes on pages 12 to 27 form part of these financial statements.

Notes to the financial statements

For the year ended 31 March 2014

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

1.2 Going concern

The group funds its working capital requirements through an agreed borrowing facility with Essex County Council, its parent entity. The agreement has been reviewed and is in place until March 2015. The directors have also prepared forecasts to June 2015 indicating that the group will continue to trade within this facility level. Contracts are continuing or have been renewed through to June 2015 and this has been reflected within the forecasts. In addition the parent entity has confirmed its support of the group and that in the unlikely event of contracts not being renewed it will support the business going forward.

On the basis of these facts the directors consider it is appropriate to prepare the financial statements on the going concern basis.

1.3 Basis of consolidation

The financial statements consolidate the accounts of Essex Cares Limited and all of its subsidiary undertakings ('subsidiaries').

1.4 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 are drawn up.

1.5 Turnover

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

At the Essex Equipment Service division, turnover represents sales of equipment to third parties net of the cost of buying the equipment back.

1.6 Intangible fixed assets and amortisation

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the Profit and loss account over its estimated economic life.

Amortisation is provided at the following rates:

Negative Goodwill	-	3 years straight line
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Notes to the financial statements

For the year ended 31 March 2014

1. Accounting policies (continued)

1.7 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Plant & machinery	-	2 to 10 years straight line
Fixtures & fittings	-	2 to 4 years straight line
Office equipment	-	5 years straight line
Computer equipment	-	3 years straight line

1.8 Investments

Investments in subsidiaries are valued at cost less provision for impairment.

1.9 Operating leases

Rentals under operating leases are charged to the Profit and loss account on a straight line basis over the lease term.

1.10 Stocks

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

1.11 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.12 Pensions

The group operates a defined benefits pension scheme and the pension charge is based on a full actuarial valuation dated 31 March 2014.

Notes to the financial statements

For the year ended 31 March 2014

1. Accounting policies (continued)

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 their market value at the balance sheet date.

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

1.13 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.

Notes to the financial statements

For the year ended 31 March 2014

2. Turnover

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

All turnover arose within the United Kingdom.

Turnover by division:

	2014 £	2013 £
Essex Community Support	12,586,106	18,125,462
Essex Equipment Service	16,469,407	13,552,145
Essex Employment & Inclusion	10,838,961	6,946,462
Other	62,764	-
	<hr/>	<hr/>
Total	<u>39,957,238</u>	<u>38,624,069</u>

3. Operating (loss)/profit

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

	2014 £	2013 £
Amortisation - intangible fixed assets	-	(77,919)
Depreciation of tangible fixed assets:		
- owned by the group	354,855	233,651
Auditor's remuneration	33,750	30,950
Auditor's remuneration - non-audit	16,600	27,327
Operating lease rentals:		
- plant and machinery	383,112	373,093
- other operating leases	990,625	1,233,208
Release of establishment expenses accrual	-	(1,160,605)
	<hr/>	<hr/>

Notes to the financial statements

For the year ended 31 March 2014

4. Staff costs

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

	2014	2013
	£	£
Wages and salaries	15,919,561	16,057,961
Social security costs	984,677	959,668
Other pension costs (Note 22)	2,145,177	2,277,743
	<u>19,049,415</u>	<u>19,295,372</u>

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

	2014	2013
	No.	No.
Frontline staff	710	647
Support staff	269	238
Managerial staff	31	35
	<u>1,010</u>	<u>920</u>

Other pension costs are amounts charged to operating profit and do not include amounts credited to finance income (see note 7) and amounts recognised in the statement of recognised gains and losses as a result of applying FRS 17.

5. Directors' remuneration

	2014	2013
	£	£
Remuneration	<u>440,053</u>	<u>399,705</u>
Amounts paid to third parties for directors' remuneration services	<u>-</u>	<u>25,771</u>

During the year retirement benefits were accruing to 5 directors (2013 - 5) in respect of defined benefit pension schemes.

The highest paid director received remuneration of £127,500 (2013 - £154,671).

6. Interest payable

	2014	2013
	£	£
Interest paid to group undertakings	<u>987</u>	<u>1,348</u>

Notes to the financial statements

For the year ended 31 March 2014

7. Other finance income

	2014 £	2013 £
Expected return on pension scheme assets	2,438,000	2,293,000
Interest on pension scheme liabilities	(2,045,000)	(1,805,000)
	<u>393,000</u>	<u>488,000</u>

8. Taxation

	2014 £	2013 £
Analysis of tax (credit)/charge in the year		
UK corporation tax charge on (loss)/profit for the year	-	77,105
Adjustments in respect of prior periods	(38,435)	(2,708)
Total current tax	<u>(38,435)</u>	<u>74,397</u>
Deferred tax		
Origination and reversal of timing differences	(4,057)	-
Adjustment in respect of prior periods	4,057	-
Total deferred tax	<u>-</u>	<u>-</u>
Tax on (loss)/profit on ordinary activities	<u>(38,435)</u>	<u>74,397</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2013 - lower than) the standard rate of corporation tax in the UK of 23% (2013 - 24%). The differences are explained below:

	2014 £	2013 £
(Loss)/profit on ordinary activities before tax	<u>(827,586)</u>	<u>1,434,589</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23% (2013 - 24%)	(190,345)	344,301
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	-	3,630
Losses carried back	54,645	-
Adjustments to tax charge in respect of prior periods	(38,435)	(2,708)
Net expense / (income) not taxable under mutual trading agreement	135,700	(259,470)
Marginal relief	-	(11,356)
Current tax (credit)/charge for the year (see note above)	<u>(38,435)</u>	<u>74,397</u>

Notes to the financial statements

For the year ended 31 March 2014

9. Tangible fixed assets

Group and Company	Plant & machinery £	Fixtures & fittings £	Office equipment £	Computer equipment £	Total £
Cost					
At 1 April 2013	321,644	296,727	105,388	442,926	1,166,685
Additions	46,052	473,113	11,796	97,097	628,058
At 31 March 2014	367,696	769,840	117,184	540,023	1,794,743
Depreciation					
At 1 April 2013	134,015	61,750	25,693	178,834	400,292
Charge for the year	84,536	72,756	50,406	147,157	354,855
At 31 March 2014	218,551	134,506	76,099	325,991	755,147
Net book value					
At 31 March 2014	149,145	635,334	41,085	214,032	1,039,596
At 31 March 2013	187,629	234,977	79,695	264,092	766,393

10. Fixed asset investments

Company	Investments in subsidiary companies £
Cost or valuation	
At 1 April 2013 and 31 March 2014	300
Net book value	
At 31 March 2014	300
At 31 March 2013	300

Details of the principal subsidiaries can be found under note number 25.

11. Stocks

	Group		Company	
	2014 £	2013 £	2014 £	2013 £
Finished goods	1,322,028	1,132,300	1,322,028	1,132,300

Notes to the financial statements

For the year ended 31 March 2014

12. Debtors

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Due after more than one year				
Other debtors	100	100	100	100
Due within one year				
Trade debtors	420,942	320,940	420,942	320,940
Amounts owed by group undertakings	5,334,092	5,488,124	5,972,097	6,126,129
VAT recoverable	-	252,029	-	252,029
Other debtors	55,637	110,844	55,637	110,844
Prepayments and accrued income	743,418	329,210	743,418	329,210
	6,554,189	6,501,247	7,192,194	7,139,252

13. Creditors:**Amounts falling due within one year**

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Bank loans and overdrafts	20,642	-	20,642	-
Trade creditors	1,239,318	327,610	1,239,318	327,610
Amounts owed to group undertakings	114,474	98,127	114,774	98,427
Corporation tax	-	77,105	-	77,105
Other taxation and social security	275,014	284,765	275,014	284,765
Other creditors	234,283	202,509	234,282	202,508
Accruals and deferred income	2,285,485	2,811,279	2,285,485	2,811,279
	4,169,216	3,801,395	4,169,515	3,801,694

Included within the above is £94,889 (2013 - £90,098) relating to outstanding pension payments.

Notes to the financial statements

For the year ended 31 March 2014

14. Provisions

	Buildings dilapidations provision	Vehicle dilapidation provision	Total
	£	£	£
Group and Company			
At 1 April 2013	665,000	5,356	670,356
Movement in year	(278,670)	14,548	(264,122)
At 31 March 2014	<u>386,330</u>	<u>19,904</u>	<u>406,234</u>

Buildings dilapidations provision

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

Vehicle dilapidation provision

This is the expected value which it will cost to return vehicles hired under operating lease to the rental company.

Notes to the financial statements

For the year ended 31 March 2014

15. Share capital

	2014	2013
	£	£
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	100	100

16. Reserves

	Profit and loss account
	£
Group	
At 1 April 2013	5,047,864
Loss for the financial year	(789,151)
Pension reserve movement	5,908,000
	<u>10,166,713</u>
At 31 March 2014	<u>10,166,713</u>
	Profit and loss account
	£
Company	
At 1 April 2013	5,344,870
Loss for the financial year	(469,151)
Pension reserve movement	536,000
	<u>5,411,719</u>
At 31 March 2014	<u>5,411,719</u>

The closing balance on the Profit and loss account includes a £5,826,000 (2013 - £449,000) credit, stated after deferred taxation of £NIL (2013 - £NIL), in respect of pension scheme liabilities of the Group pension scheme.

Notes to the financial statements

For the year ended 31 March 2014

17. Reconciliation of movement in shareholders' funds

	2014	2013
Group	£	£
Opening shareholders' funds	5,047,964	2,064,772
(Loss)/profit for the financial year	(789,151)	1,360,192
Other recognised gains and losses during the year	5,908,000	1,623,000
	<hr/>	<hr/>
Closing shareholders' funds	10,166,813	5,047,964
	<hr/>	<hr/>

	2014	2013
Company	£	£
Opening shareholders' funds	5,344,970	3,342,778
(Loss)/profit for the financial year	(469,151)	1,842,192
Other recognised gains and losses during the year	536,000	160,000
	<hr/>	<hr/>
Closing shareholders' funds	5,411,819	5,344,970
	<hr/>	<hr/>

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own Profit and loss account.

The (loss)/profit for the year dealt with in the accounts of the company was £469,151 (2013 - £1,842,192).

18. Net cash flow from operating activities

	2014	2013
	£	£
Operating (loss)/profit	(1,224,891)	941,189
Amortisation of intangible fixed assets	-	(77,919)
Depreciation of tangible fixed assets	354,855	233,651
Increase in stocks	(189,728)	(42,621)
Decrease/(increase) in debtors	1,484	(2,231,658)
Increase/(decrease) in creditors	424,284	(783,047)
Decrease in provisions	(264,122)	(173,926)
Defined benefit pension scheme charges	924,000	1,119,000
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	25,882	(1,015,331)
	<hr/>	<hr/>

Notes to the financial statements

For the year ended 31 March 2014

19. Analysis of cash flows for headings netted in cash flow statement

	2014 £	2013 £
Returns on investments and servicing of finance		
Interest received	5,292	6,748
Interest paid	(987)	(1,348)
Net cash inflow from returns on investments and servicing of finance	<u>4,305</u>	<u>5,400</u>
	2014 £	2013 £
Capital expenditure and financial investment		
Purchase of tangible fixed assets	<u>(628,058)</u>	<u>(599,978)</u>

20. Analysis of changes in net funds

	1 April 2013 £	Cash flow £	Other non-cash changes £	31 March 2014 £
Cash at bank and in hand	670,775	(670,325)	-	450
Bank overdraft	-	(20,642)	-	(20,642)
Net funds	<u>670,775</u>	<u>(690,967)</u>	<u>-</u>	<u>(20,192)</u>

Notes to the financial statements

For the year ended 31 March 2014

21. Contingent liabilities

There were no contingent liabilities at 31 March 2014. There was a contingent liability at 31 March 2013 relating to staff costs that had previously been included in provisions. The potential settlements due totalled £50,000 however the directors did not consider that it was probable that such settlements would be made and this was proved correct during the current year.

22. Pension commitments

The group operates a Defined benefit pension scheme.

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

The key FRS 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.

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

The amounts recognised in the Balance sheet are as follows:

	2014 £	2013 £
Present value of funded obligations	(44,233,000)	(44,437,000)
Fair value of scheme assets	50,059,000	44,886,000
Net asset	<u>5,826,000</u>	<u>449,000</u>

The amounts recognised in profit or loss are as follows:

	2014 £	2013 £
Current service cost	(1,897,000)	(2,118,000)
Interest on obligation	(2,045,000)	(1,805,000)
Expected return on scheme assets	2,438,000	2,293,000
Gains on curtailments and settlements	(99,000)	(148,000)
Total	<u>(1,603,000)</u>	<u>(1,778,000)</u>
Actual return on scheme assets	<u>3,745,000</u>	<u>5,076,000</u>

Notes to the financial statements

For the year ended 31 March 2014

22. Pension commitments (continued).

Movements in the present value of the defined benefit obligation were as follows:

	2014 £	2013 £
Opening defined benefit obligation	44,437,000	39,739,000
Current service cost	1,897,000	2,118,000
Interest cost	2,045,000	1,805,000
Contributions by scheme participants	592,000	700,000
Actuarial (Gains)/losses	(4,012,000)	999,000
Losses on curtailments	99,000	148,000
Benefits paid	(825,000)	(1,072,000)
Closing defined benefit obligation	44,233,000	44,437,000

Changes in the fair value of scheme assets were as follows:

	2014 £	2013 £
Opening fair value of scheme assets	44,886,000	39,196,000
Expected return on assets	2,438,000	2,293,000
Actuarial gains and (losses)	1,896,000	2,622,000
Contributions by employer	1,072,000	1,147,000
Contributions by scheme participants	592,000	700,000
Benefits paid	(825,000)	(1,072,000)
	50,059,000	44,886,000

The cumulative amount of actuarial gains and losses recognised in the Consolidated statement of total recognised gains and losses was a gain of £5,862,001 (2013 - £45,999).

The group expects to contribute £958,000 to its Defined benefit pension scheme in 2015.

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2014	2013
Equities	67.00 %	64.00 %
Government bonds	8.00 %	7.00 %
Other bonds	8.00 %	8.00 %
Property	11.00 %	2.00 %
Cash/Liquidity	2.00 %	4.00 %
Alternative assets	4.00 %	5.00 %

Notes to the financial statements

For the year ended 31 March 2014

22. Pension commitments (continued):

Principal actuarial assumptions at the Balance sheet date (expressed as weighted averages):

	2014	2013
Discount rate at 31 March	4.50 %	4.60 %
Expected return on scheme assets at 31 March	6.00 %	5.80 %
Future salary increases	3.10 %	3.35 %
Future pension increases	2.35 %	2.60 %
Inflation - RPI	3.35 %	3.40 %
Inflation - CPI	2.35 %	2.60 %

Amounts for the current and previous period are as follows:

Defined benefit pension schemes

	2014 £	2013 £
Defined benefit obligation	(44,233,000)	(44,437,000)
Scheme assets	50,059,000	44,886,000
Surplus/(deficit)	5,826,000	449,000
Experience adjustments on scheme liabilities	4,012,000	(999,000)
Experience adjustments on scheme assets	1,896,000	2,622,000

23. Operating lease commitments

At 31 March 2014 the group and company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2014	2013	2014	2013
Group and company	£	£	£	£
Expiry date:				
Within 1 year	103,100	-	149,022	7,527
Between 2 and 5 years	-	49,400	29,397	131,578

Notes to the financial statements

For the year ended 31 March 2014

24. Contingencies

A provision was made in previous years 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 was shown net of the estimated value of the returned stock, was recognised as a provision in the group's accounts.

A new agreement was then signed with customers that updated the repurchasing costs attached to each sale. The result of this agreement is that the estimated provision of the previous years moved to an estimated net asset position at 31 March 2011 and has remained at a net asset position since that date.

Each item of equipment sold has an agreed buy-back cost set at a percentage of original sales value. The cost of repurchasing equipment is calculated as an estimate of the total cost of all equipment if it were returned less the estimated proportion of such equipment which is never returned. The calculation of the net position also takes account of the estimated value of the stock that is likely to be returned by the customer to the group. The value attributed to the returned total stock is its original purchase cost, less an estimate to account for assets that are returned and scrapped for quality reasons. All of the above factors are determined through historical experience shown by the group's stock recording system.

Due to the inherent estimation techniques in calculating both the asset and liability element of this stock the net asset position at 31 March 2014 of £3,716,825 (2013 - £4,784,838) has been treated as a contingent asset.

25. Principal subsidiaries

Company name	Country	Percentage Shareholding	Description
Essex Equipment Services Limited	England and Wales	100	Employment of staff
Essex Community Support Limited	England and Wales	100	Employment of staff
Essex Employment and Inclusion Limited	England and Wales	100	Employment of staff
ECL Trading Limited	England and Wales	100	Dormant