

Strata Service Solutions Limited

**Annual Report and Financial Statements
Period from 15 May 2014 to 31 March 2015**

Company Registration Number: 09041662

Strata Service Solutions Limited

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Strata Service Solutions Limited

Company Information

Directors Mr S P I Davey
Mr R D Hodgson
Mr M Parkinson
Mr S P Hodder
Mr D P Moors

Registered office Civic Centre
Paris Street
Exeter
Devon
EX1 1JN

Auditors Francis Clark LLP
Vantage Point
Woodwater Park
Pynes Hill
Exeter
EX2 5FD

Strata Service Solutions Limited

Strategic Report

Period from 15 May 2014 to 31 March 2015

The directors present their strategic report for the period from 15 May 2014 to 31 March 2015.

Business review

Fair review of the business

Turnover for the 5 months of activity amounted to £2,466,140. There was an exceptional cost of £3,161,130 incurred in the period on the transfer of the net pension liability in relation to the employees transferred over from the three Councils. Loss before taxation amounted to £2,771,722. In spite of the loss, the Directors are satisfied that the guarantee provided by the three owner Council's in respect of the Pension Fund liabilities means that the Company can continue to trade and invest in the infrastructure required to grow the Company.

The Company's mutual trading status means that it only conducts business with the three owner Councils.

Principal risks and uncertainties

The Company is owned by three Local Authorities, who have agreed to fund the Company until at least March 2018. However, budgets are fixed and must therefore be managed tightly, to deliver the objectives set for the Company.

As the owners are Local Authorities, they are subject to political change, which can affect the Company. If political change does take place in one of the owners, there is still a requirement to give 18 months notice after the end of the three year period prior to leaving the Company, which should allow for a full assessment of the Company moving forward.

Approved by the Board on 11/09/2015 and signed on its behalf by:



.....
Mr R D Hodgson
Director

Strata Service Solutions Limited

Directors' Report

Period from 15 May 2014 to 31 March 2015

The directors present their report and the financial statements for the period from 15 May 2014 to 31 March 2015.

Incorporation

The company was incorporated on 15 May 2014 and commenced trading on 1 November 2014 .

Principal activity

The principal activity of the company is the provision of information technology services to East Devon District Council, Teignbridge District Council and Exeter City Council.

Directors of the company

The directors who held office during the period were as follows:

Mr S P I Davey (appointed 15 May 2014)

Mr R D Hodgson (appointed 1 November 2014)

Mr M Parkinson (appointed 15 May 2014)

Mr S P Hodder (appointed 15 May 2014)

Mr D P Moors (appointed 3 February 2015)

Mr C J Powell (appointed 15 May 2014 and Resigned in the year 10 November 2014)

Disclosure of information to the auditor

Each of the persons who is a director at the date of approval of this report confirm that:

- So far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Approved by the Board on 11/09/2015 and signed on its behalf by:


.....
Mr R D Hodgson
Director

Strata Service Solutions Limited

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 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 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 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 company 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 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.

Strata Service Solutions Limited

Independent Auditor's Report

We have audited the financial statements of Strata Service Solutions Limited for the period from 15 May 2014 to 31 March 2015, set out on pages 7 to 21. 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 Statement of Directors' Responsibilities (set out on page 4), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2015 and of its loss for the period 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 matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Strata Service Solutions Limited

Independent Auditor's Report

..... *continued*

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, or returns adequate for our audit have not been received from branches not visited by us; or
- 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; or
- we have not received all the information and explanations we require for our audit.

Francis Clark ✓

.....
Christopher Bush (Senior Statutory Auditor)
For and on behalf of Francis Clark LLP, Statutory Auditor

Vantage Point
Woodwater Park
Pynes Hill
Exeter
EX2 5FD

Date:..... *17.9.2011*

Strata Service Solutions Limited

Profit and Loss Account

Period from 15 May 2014 to 31 March 2015

	Note	15 May 2014 to 31 March 2015 £
Turnover	2	2,466,140
Cost of sales		<u>(1,309,922)</u>
Gross profit		1,156,218
Administrative expenses		<u>(718,160)</u>
Operating profit	3	438,058
Other exceptional items	4	(3,161,130)
Other interest receivable and similar income	6	4,483
Interest payable and similar charges	7	<u>(53,133)</u>
Loss on ordinary activities before taxation		(2,771,722)
Tax on loss on ordinary activities	8	<u>(897)</u>
Loss for the financial period	15	<u><u>(2,772,619)</u></u>

Turnover and operating profit derive wholly from continuing operations.

Strata Service Solutions Limited

Statement of Total Recognised Gains and Losses

Period from 15 May 2014 to 31 March 2015

	15 May 2014 to 31 March 2015 £
Loss for the financial period	(2,772,619)
Actuarial loss recognised on defined benefit pension scheme	<u>(703,000)</u>
Total recognised gains and losses relating to the period	<u><u>(3,475,619)</u></u>

Strata Service Solutions Limited

Balance Sheet

31 March 2015

	Note	31 March 2015 £
Fixed assets		
Intangible fixed assets	9	1,991,104
Tangible fixed assets	10	<u>1,425,069</u>
		<u>3,416,173</u>
Current assets		
Stocks		12,447
Debtors	11	718,887
Cash at bank and in hand		<u>1,374,444</u>
		2,105,778
Creditors: Amounts falling due within one year	12	<u>(1,153,880)</u>
Net current assets		<u>951,898</u>
Total assets less current liabilities		4,368,071
Deferred income	13	<u>(1,569,978)</u>
Net assets excluding pension liability		2,798,093
Net pension liability	17	<u>(4,022,000)</u>
Net liabilities		<u>(1,223,907)</u>
Capital and reserves		
Called up share capital	14	3
Capital contribution reserve	15	2,064,067
Profit and loss account	15	<u>(3,287,977)</u>
Shareholders' deficit	16	<u>(1,223,907)</u>

Approved and authorised for issue by the Board on 11/09/2015 and signed on its behalf by:



Mr R D Hodgson
Director

Company Registration Number: 09041662

Strata Service Solutions Limited

Notes to the Financial Statements

Period from 15 May 2014 to 31 March 2015

1 Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention.

The company is exempt from preparing a cash flow statement as 90% or more of the voting rights are held within the group.

Going concern

Although the company is in a net liability position, the councils have signed up to an agreement with the company for an initial three year period with agreed annual revenue contributions. In addition the councils have provided a guarantee to meet in full any remaining liability on the pension scheme in the event of insolvency of the company.

On this basis, the directors have prepared the financial statements on a going concern basis.

Turnover

Turnover represents amounts chargeable, net of value added tax, in respect of the provision of information technology services to the relevant councils.

Government grants

Government Grants relating to fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned. Other grants are credited to the profit and loss account as the expenditure is incurred.

Amortisation

Amortisation is provided on intangible fixed assets so as to write off the cost, less any estimated residual value, over their expected useful economic lives.

Asset class	Amortisation method and rate
Software	5 years - straight line

Depreciation

Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic lives.

Asset class	Depreciation method and rate
Computer equipment	5-10 years straight line

Stock

Stock represents consumable stock and is valued at cost.

Hire purchase and leasing

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Strata Service Solutions Limited

Notes to the Financial Statements

Period from 15 May 2014 to 31 March 2015

..... *continued*

Pensions

The company operates a defined benefit pension scheme for certain employees. The assets of the scheme are held separately from those of the company. Pension scheme liabilities are measured on an actuarial basis using a projected unit method and are discounted to their present value using an AA corporate bond rate. Pension scheme assets are valued at their market value at the balance sheet date. The pension deficit is recognised in full on the balance sheet.

2 Turnover

The turnover and loss before tax are attributable to the one principal activity of the company.

An analysis of turnover by geographical location is given below:

	15 May 2014 to 31 March 2015 £
Sales - UK	<u>2,466,140</u>

3 Operating profit

Operating profit is stated after charging:

	15 May 2014 to 31 March 2015 £
Auditor's remuneration	3,500
Depreciation	124,950
Amortisation	<u>179,660</u>

4 Exceptional items

	15 May 2014 to 31 March 2015 £
Transfer of pension scheme liability (note 16)	<u>3,161,130</u>

Strata Service Solutions Limited

Notes to the Financial Statements

Period from 15 May 2014 to 31 March 2015

..... *continued*

5 Particulars of employees

The average number of persons employed by the company (including directors) during the period, analysed by category was as follows:

	15 May 2014 to 31 March 2015 No.
Administration and support	<u>72</u>

The aggregate payroll costs were as follows:

	15 May 2014 to 31 March 2015 £
Wages and salaries	852,138
Social security costs	61,333
Staff pensions (note 16)	<u>202,000</u>
	<u>1,115,471</u>

6 Other interest receivable and similar income

	15 May 2014 to 31 March 2015 £
Bank interest receivable	<u>4,483</u>

7 Interest payable and similar charges

	15 May 2014 to 31 March 2015 £
Interest on bank borrowings	133
Net finance costs in respect of defined benefit pension schemes	<u>53,000</u>
	<u>53,133</u>

Strata Service Solutions Limited

Notes to the Financial Statements

Period from 15 May 2014 to 31 March 2015

..... *continued*

8 Taxation

Tax on loss on ordinary activities

	15 May 2014 to 31 March 2015 £
Current tax	
Corporation tax charge	897
UK Corporation tax	<u>897</u>

Factors affecting current tax charge for the period

Tax on loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 20.00%.

The differences are reconciled below:

	15 May 2014 to 31 March 2015 £
Loss on ordinary activities before taxation	<u>(2,771,722)</u>
Corporation tax at standard rate	(554,344)
Expenses not deductible for tax purposes	<u>555,241</u>
Total current tax	<u>897</u>

By virtue of its members, the company has been set up as a mutual trading company and as such the tax charge for the year is only applied to its external investment income.

Strata Service Solutions Limited

Notes to the Financial Statements

Period from 15 May 2014 to 31 March 2015

..... continued

9 Intangible fixed assets

	Software £	Total £
Cost		
Transfer of donated assets (note 14)	1,577,891	1,577,891
Additions	592,873	592,873
At 31 March 2015	<u>2,170,764</u>	<u>2,170,764</u>
Amortisation		
Charge for the period	179,660	179,660
At 31 March 2015	<u>179,660</u>	<u>179,660</u>
Net book value		
At 31 March 2015	<u>1,991,104</u>	<u>1,991,104</u>

10 Tangible fixed assets

	Computer equipment £	Total £
Cost or valuation		
Transfer of donated assets (note 14)	673,818	673,818
Additions	876,201	876,201
At 31 March 2015	<u>1,550,019</u>	<u>1,550,019</u>
Depreciation		
Charge for the period	124,950	124,950
At 31 March 2015	<u>124,950</u>	<u>124,950</u>
Net book value		
At 31 March 2015	<u>1,425,069</u>	<u>1,425,069</u>

11 Debtors

	31 March 2015 £
Trade debtors	349,468
Other debtors	195,012
Prepayments and accrued income	174,407
	<u>718,887</u>

Strata Service Solutions Limited
Notes to the Financial Statements
Period from 15 May 2014 to 31 March 2015
..... *continued*

12 Creditors: Amounts falling due within one year

	31 March 2015 £
Trade creditors	27,797
Corporation tax	897
Other creditors	27,601
Accruals and deferred income	<u>1,097,585</u>
	<u><u>1,153,880</u></u>

13 Deferred income

	Government Grants £
Received during the year	1,712,703
Released to profit for the year	(142,725)
At 31 March 2015	<u><u>1,569,978</u></u>

14 Share capital

Allotted, called up and un-paid shares

	31 March 2015	
	No.	£
Ordinary shares of £1 each	<u>3</u>	<u>3</u>

New shares allotted

During the period 3 Ordinary shares having an aggregate nominal value of £3 were allotted for an aggregate consideration of £3. on incorporation.

Strata Service Solutions Limited

Notes to the Financial Statements

Period from 15 May 2014 to 31 March 2015

..... *continued*

15 Reserves

	Capital contribution reserve £	Profit and loss account £	Total £
Loss for the period	-	(2,772,619)	(2,772,619)
Actuarial loss on pension schemes	-	(703,000)	(703,000)
Transfer of donated assets	2,251,709	-	2,251,709
Transfer to profit and loss reserve	(187,642)	187,642	-
At 31 March 2015	<u>2,064,067</u>	<u>(3,287,977)</u>	<u>(1,223,910)</u>

On 1 November 2014 intangible fixed assets with a net book value of £1,577,891 and tangible fixed assets with a net book value of £673,818 were donated by East Devon District Council, Teignbridge District Council and Exeter City Council for nil consideration. As a result £2,251,709 has been recognised as a capital contribution. An element of this is transferred to the profit and loss reserve as the assets are depreciated.

16 Reconciliation of movement in shareholders' funds

	15 May 2014 to 31 March 2015 £
Loss attributable to the members of the company	(2,772,619)
Other recognised gains and losses relating to the period	1,548,709
New share capital subscribed	<u>3</u>
Net reduction to shareholders' funds	<u>(1,223,907)</u>
Shareholders' deficit at end of period	<u>(1,223,907)</u>

Strata Service Solutions Limited

Notes to the Financial Statements

Period from 15 May 2014 to 31 March 2015

..... *continued*

17 Pension schemes

Defined benefit pension schemes

The company's employees belong to the Local Government Pension Scheme (LGPS).

The assets and liabilities of the scheme were transferred to the company on 1 November 2014 when the employees, who are members of the scheme, were transferred to the company from East Devon District Council, Teignbridge District Council and Exeter City Council. As part of the arrangements for the transfer, the Council has provided a guarantee to meet in full any remaining liability to the scheme in the event of the insolvency of the company.

Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2016 and will set contributions for the period 1 April 2017 to 31 March 2020. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

Contributions payable to the pension scheme at the end of the period are £30,874.

The total contributions in the next year are expected to be £231,000.

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the balance sheet are as follows:

	31 March 2015 £
Fair value of scheme assets	5,025,000
Present value of scheme liabilities	<u>(9,047,000)</u>
Net liability in the balance sheet	<u>(4,022,000)</u>

Strata Service Solutions Limited

Notes to the Financial Statements

Period from 15 May 2014 to 31 March 2015

..... *continued*

Scheme assets

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

	15 May 2014 to 31 March 2015 £
Transferred at 1 November 2014	4,573,000
Interest on assets	78,000
Return on assets less interest	226,000
Administrative expenses	(1,000)
Employer contributions	97,000
Contributions by scheme participants	52,000
Fair value at end of period	<u>5,025,000</u>

Analysis of assets

The major categories of scheme assets are as follows:

	31 March 2015 £
Equity instruments	3,713,000
Debt instruments	495,000
Property	502,000
Cash	87,000
Other assets	228,000
	<u>5,025,000</u>

Actual return on scheme's assets

	15 May 2014 to 31 March 2015 £
Actual return on scheme assets	<u>226,000</u>

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company.

The overall expected return on assets assumption is derived as the weighted average of the expected returns from each of the main asset classes.

Strata Service Solutions Limited

Notes to the Financial Statements

Period from 15 May 2014 to 31 March 2015

..... *continued*

Scheme liabilities

Changes in the present value of scheme liabilities are as follows:

	15 May 2014 to 31 March 2015 £
Transferred at 1 November 2014	7,733,000
Current service cost	202,000
Interest cost	131,000
Contributions by scheme participants	52,000
Change in financial assumptions	<u>929,000</u>
Present value at end of period	<u><u>9,047,000</u></u>
Analysed as:	
Present value arising from wholly or partly funded schemes	<u><u>9,047,000</u></u>

Principal actuarial assumptions

The principal actuarial assumptions at the balance sheet date are as follows:

	31 March 2015 %
Discount rate	4
Future salary increases	4
Future pension increases	3
Inflation	3

Post retirement mortality assumptions

	31 March 2015 Years
Current pensioners at retirement age - male	23
Current pensioners at retirement age - female	26
Future pensioners at retirement age - male	25
Future pensioners at retirement age - female	28

Strata Service Solutions Limited

Notes to the Financial Statements

Period from 15 May 2014 to 31 March 2015

..... *continued*

Amounts recognised in the profit and loss account

	15 May 2014 to 31 March 2015 £
Amounts recognised in operating profit	
Current service cost	202,000
Administrative expenses	1,000
Recognised in arriving at operating profit	<u>203,000</u>
Amounts recognised in other finance cost	
Interest cost	131,000
Expected return on scheme assets	<u>(78,000)</u>
Recognised in other finance cost	<u>53,000</u>
Total recognised in the profit and loss account	<u><u>256,000</u></u>

Amounts recognised in the statement of total recognised gains and losses

	15 May 2014 to 31 March 2015 £
Actual return less expected return on scheme assets	226,000
Changes in assumptions	<u>(929,000)</u>
Actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses	<u><u>(703,000)</u></u>

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and (losses) since 1 November 2014 is (£703,000).

Sensitivity analysis

The effect of small changes to the discount rate and mortality assumptions on the defined benefit obligation and projected service cost would be:

	Defined benefit obligation £	Projected service cost £
On the assumptions set out above	9,047,000	553,000
0.1% increase in discount rate	8,803,000	538,000
0.1% decrease in discount rate	9,298,000	568,000
One year increase in mortality age rating assumption	8,740,000	534,000
One year decrease in mortality age rating assumption	9,357,000	572,000

Strata Service Solutions Limited

Notes to the Financial Statements

Period from 15 May 2014 to 31 March 2015

..... *continued*

History of experience adjustments on scheme assets and liabilities

Amounts for the current period are as follows:

	31 March 2015 £
Fair value of scheme assets	5,025,000
Present value of scheme liabilities	<u>(9,047,000)</u>
Deficit in scheme	<u><u>(4,022,000)</u></u>

18 Commitments

Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £188,931.

Operating lease commitments

As at 31 March 2015 the company had annual commitments under non-cancellable operating leases as follows:

Operating leases which expire:

	31 March 2015 £
Other	
Within one year	58,431
Within two and five years	<u>13,708</u>
	<u><u>72,139</u></u>

19 Related party transactions

The company has taken advantage of the exemption in FRS8 "Related Party Disclosures" from disclosing transactions with other members of the group.

Strata Service Solutions Limited

Detailed Profit and Loss Account

Period from 15 May 2014 to 31 March 2015

	15 May 2014 to 31 March 2015	
	£	£
Turnover		
Sales, UK		2,466,140
Cost of sales		
Wages and salaries	852,138	
Staff NIC (Employers)	61,333	
Staff pensions	202,000	
Staff training	3,973	
Temporary staff wages	82,245	
Other employment costs	22,694	
Redundancy costs	97,986	
Closing stock	<u>(12,447)</u>	
		<u>(1,309,922)</u>
Gross Profit		1,156,218
Administrative expenses		
Administration expenses		<u>(718,160)</u>
Operating Profit		438,058
Non-operating exceptional items		
Other exceptional items		(3,161,130)
Other interest receivable and similar income		4,483
Interest payable and similar charges		
Bank interest payable	(133)	
Other interest payable	<u>(53,000)</u>	
		<u>(53,133)</u>
Net Loss for the year		<u><u>(2,771,722)</u></u>

Strata Service Solutions Limited

Detailed Profit and Loss Account

Period from 15 May 2014 to 31 March 2015

..... *continued*

	15 May 2014 to 31 March 2015 £
Administrative expenses	
Telephone and fax	5,880
Licences and support	153,047
Computer software and maintenance costs	77,623
Printing, postage and stationery	34,903
Trade subscriptions	6
Sundry expenses	78,789
Travel and subsistence	4,948
Advertising	15,101
Auditor's remuneration	3,500
Legal and professional	38,837
Bank charges	916
Amortisation of intangible assets	179,660
Depreciation of computer equipment (owned)	124,950
	<hr/>
	718,160
	<hr/> <hr/>

