

Strata Service Solutions Limited
Annual Report and Financial Statements
Year Ended 31 March 2018
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 P Nicholls
Registered office	Civic Centre Paris Street Exeter Devon EX1 1JN
Auditors	PKF Francis Clark Statutory Auditor Centenary House Peninsula Park Rydon Lane Exeter Devon EX2 7XE

Strata Service Solutions Limited

Strategic Report

Year Ended 31 March 2018

The directors present their strategic report for the year ended 31 March 2018.

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.

Fair review of the business

Turnover for the year amounted to £6,964,082 (2017: £7,092,509) with a loss before taxation for the year of £1,148,029 (2017: loss of £663,237). 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.

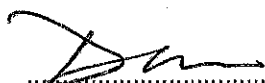
The Company's mutual trading status means that it only conducts business with the three owner Councils.

Principal risks and uncertainties

The Company is owned by three Local Authorities. 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. In reality, however, as the three Councils have merged the infrastructure on which they run their respective businesses, it would be financially challenging for one of the Councils to serve notice. A Council would have to put in place alternate infrastructure and compensate the other authorities for the additional costs that they would incur going forward. Further details are given in the accounting policies under Going Concern.

Approved by the Board on 19/07/18 and signed on its behalf by:



.....
Mr R D Hodgson
Director

Strata Service Solutions Limited

Directors' Report

Year Ended 31 March 2018

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

Directors of the company

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

Mr S P I Davey

Mr R D Hodgson

Mr N A Aggett (resigned 29 June 2018)

Mr P Nicholls

Mr J P Hedge (appointed 10 May 2017 and resigned 13 March 2018)

Disclosure of information to the auditors

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 auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Approved by the Board on19/07/18..... and signed on its behalf by:



.....
Mr R D Hodgson
Director

Strata Service Solutions Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 to the Members of Strata Service Solutions Limited

Opinion

We have audited the financial statements of Strata Service Solutions Limited (the 'company') for the year ended 31 March 2018, which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its 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.

Basis for opinion

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

Use of our report

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

Conclusions relating to going concern

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

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

Strata Service Solutions Limited

Independent Auditor's Report to the Members of Strata Service Solutions Limited

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

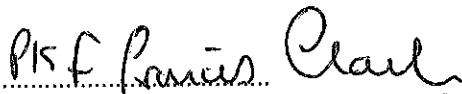
Strata Service Solutions Limited

Independent Auditor's Report to the Members of Strata Service Solutions Limited

Auditor's responsibilities for the audit of the financial statements

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

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



Stephanie Henshaw (Senior Statutory Auditor)
PKF Francis Clark, Statutory Auditor

Centenary House
Peninsula Park
Rydon Lane
Exeter
Devon
EX2 7XE

Date: 20/7/18

Strata Service Solutions Limited

Profit and Loss Account

Year Ended 31 March 2018

	Note	2018 £	2017 £
Turnover	3	6,964,082	7,092,509
Cost of sales		<u>(3,149,372)</u>	<u>(2,841,293)</u>
Gross profit		3,814,710	4,251,216
Administrative expenses		<u>(4,779,795)</u>	<u>(4,790,641)</u>
Operating loss	4	(965,085)	(539,425)
Other interest receivable and similar income		6,058	4,200
Interest payable and similar charges	7	<u>(189,000)</u>	<u>(128,032)</u>
Loss before tax		(1,148,027)	(663,257)
Taxation	8	<u>(1,212)</u>	<u>(840)</u>
Loss for the financial year		<u><u>(1,149,239)</u></u>	<u><u>(664,097)</u></u>

The notes on pages 13 to 23 form an integral part of these financial statements.

Strata Service Solutions Limited

Statement of Comprehensive Income

Year Ended 31 March 2018

	Note	2018 £	2017 £
Loss for the year		(1,149,239)	(664,097)
Remeasurement (loss)/gain on defined benefit pension schemes	15	<u>835,000</u>	<u>(3,180,000)</u>
Total comprehensive income for the year		<u>(314,239)</u>	<u>(3,844,097)</u>

The notes on pages 13 to 23 form an integral part of these financial statements.


Strata Service Solutions Limited

Balance Sheet

31 March 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	9	1,675,068	1,871,728
Tangible assets	10	<u>790,256</u>	<u>1,100,968</u>
		<u>2,465,324</u>	<u>2,972,696</u>
Current assets			
Stocks		13,543	4,384
Debtors	11	1,518,286	1,928,981
Cash at bank and in hand		<u>1,402,715</u>	<u>811,600</u>
		2,934,544	2,744,965
Creditors: Amounts falling due within one year	13	<u>(1,917,815)</u>	<u>(1,736,193)</u>
Net current assets		<u>1,016,729</u>	<u>1,008,772</u>
Total assets less current liabilities		3,482,053	3,981,468
Deferred income	13	<u>(2,049,193)</u>	<u>(2,062,369)</u>
Net assets excluding pension liability		1,432,860	1,919,099
Net pension liability	15	<u>(6,752,000)</u>	<u>(6,924,000)</u>
Net liabilities		<u>(5,319,140)</u>	<u>(5,004,901)</u>
Capital and reserves			
Called up share capital	17	3	3
Capital contribution reserve	16	668,553	1,094,754
Profit and loss account	16	<u>(5,987,696)</u>	<u>(6,099,658)</u>
Total equity		<u>(5,319,140)</u>	<u>(5,004,901)</u>

Approved and authorised by the Board on 19/07/18 and signed on its behalf by:



 Mr R D Hodgson
 Director

Company Registration Number: 09041662

Strata Service Solutions Limited

Statement of Changes in Equity

Year Ended 31 March 2018

	Share capital £	Capital contribution reserve £	Profit and loss account £	Total £
At 1 April 2017	3	1,094,754	(6,099,658)	(5,004,901)
Loss for the year	-	-	(1,149,239)	(1,149,239)
Other comprehensive income	-	-	835,000	835,000
Total comprehensive income	-	-	(314,239)	(314,239)
Transfer to profit and loss reserve	-	(426,201)	426,201	-
At 31 March 2018	3	668,553	(5,987,696)	(5,319,140)
	Share capital £	Capital contribution reserve £	Profit and loss account £	Total £
At 1 April 2016	3	1,613,725	(2,774,532)	(1,160,804)
Loss for the period	-	-	(664,097)	(664,097)
Other comprehensive income	-	-	(3,180,000)	(3,180,000)
Total comprehensive income	-	-	(3,844,097)	(3,844,097)
Transfer to profit and loss reserve	-	(518,971)	518,971	-
At 31 March 2017	3	1,094,754	(6,099,658)	(5,004,901)

Strata Service Solutions Limited

Statement of Cash Flows

Year Ended 31 March 2018

	Note	2018 £	2017 £
Cash flows from operating activities			
Loss for the year		(1,149,239)	(664,097)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	4	1,002,562	911,873
Loss on disposal of tangible assets		2,425	95,195
Finance income		(6,058)	(4,200)
Finance costs	7	189,000	128,032
Corporation tax	8	1,212	840
		<u>39,902</u>	<u>467,643</u>
Working capital adjustments			
Net pension movement	15	474,000	239,000
(Increase)/decrease in stocks		(9,159)	3,461
Decrease/(increase) in trade debtors	11	410,695	(391,347)
Increase in trade creditors	13	181,249	443,615
(Decrease)/increase in deferred income		<u>(13,176)</u>	<u>287,691</u>
Cash generated from operations		1,083,511	1,050,063
Corporation tax paid		<u>(840)</u>	<u>(2,304)</u>
Net cash flow from operating activities		<u>1,082,671</u>	<u>1,047,759</u>
Cash flows from investing activities			
Interest received		6,058	4,200
Acquisitions of tangible assets		(76,459)	(253,525)
Acquisition of intangible assets		<u>(421,155)</u>	<u>(491,611)</u>
Net cash flows from investing activities		(491,556)	(740,936)
Cash flows from financing activities			
Interest paid		<u>-</u>	<u>(32)</u>
Net increase in cash and cash equivalents		591,115	306,791
Cash and cash equivalents at 1 April		<u>811,600</u>	<u>504,809</u>
Cash and cash equivalents at 31 March		<u><u>1,402,715</u></u>	<u><u>811,600</u></u>

The notes on pages 13 to 23 form an integral part of these financial statements.

Strata Service Solutions Limited

Notes to the Financial Statements

Year Ended 31 March 2018

1 General information

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its principal place of business and registered office is:

Civic Centre
Paris Street
Exeter
Devon
EX1 1JN

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of accounting and statement of compliance

The company's financial statements have been prepared in accordance with FRS 102 - the Financial Reporting Standard applicable in the UK and Republic of Ireland.

There are no material departures from FRS 102.

The functional currency of Strata Service Solutions Limited is considered to be pounds sterling because that is the currency of the economic environment in which the company operates.

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 which ended on 1 November 2017. The three councils are required to give 18 months' notice to terminate the service provision. To date no council has indicated a desire to serve notice. At the meeting of the Joint Executive Committee in January 2018, the Committee agreed to continue the funding mechanism for 2018/19 and to receive a paper on future funding options.

The intention of the directors is to offer the councils an extension to the existing agreement, with an updated funding proposal and they have no reason to expect that this will not be accepted.

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. The nature of the agreement with the Council's means that no profit (ignoring the impact of pensions) is retained in the Company, therefore this has a negative impact on the financial position of the Company. Without the pension liability, the Company would have a positive Balance Sheet.

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

Strata Service Solutions Limited

Notes to the Financial Statements

Year Ended 31 March 2018

Key sources of estimation uncertainty

The directors have considered the judgements and estimation uncertainties included in these financial statements and the accounting policies applied and concluded that these do not have a significant effect on the amounts recognised in the financial statements or lead to a risk of causing a material misstatement of the carrying amounts of assets and liabilities within the next financial year. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects that period only, or in the period of revision and future periods if the revision affects both current and future periods.

The items in the financial statement where these judgements and estimates have been made include:

Due to advancements in technology the estimation of the useful economic life of intangible assets, which predominately are made up of software, is deemed to be a key estimate. The carrying amount is £1,675,068 (2017 - £1,871,729).

Due to advancements in technology the estimation of the useful economic life of tangible assets, which predominately are made up of computer equipment, is deemed to be a key estimate. The carrying amount is £790,256 (2017 - £1,100,968).

Defined benefit pension liability - assumptions surrounding the discount rate, future salary increases, inflation and future pension increased are considered key estimates. The carrying amount is £(6,752,000) (2017 - £(6,924,000)).

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the provision of information technology services to the relevant councils. Turnover is shown net of value added tax, returns, rebates and discounts. Fees are invoiced quarterly and recognised in the period to which they relate. Revenue is accrued or deferred as appropriate.

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.

Tax

Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current corporation tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Strata Service Solutions Limited

Notes to the Financial Statements

Year Ended 31 March 2018

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

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

Intangible assets

Intangible assets are stated in the balance sheet at cost, less any subsequent accumulated amortisation and subsequent accumulated impairment losses.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost over their useful life as follows:

Asset class	Amortisation method and rate
Software	5 years straight line

Stocks

Stocks represent consumable stock and are carried at cost less provision for impairment.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Defined benefit pension obligation

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date minus the fair value of plan assets. The defined benefit obligation is measured using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future payments by reference to market yields at the reporting date on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses are charged or credited to other comprehensive income in the period in which they arise.

Strata Service Solutions Limited

Notes to the Financial Statements

Year Ended 31 March 2018

Financial instruments

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument and derecognised when in the case of assets, the contractual rights to cash flows from the assets expire or substantially all the risks and rewards of ownership are transferred to another party, or in the case of liabilities, when the company's obligations are discharged, expire or are cancelled.

The company holds the following basic financial instruments:

- Short term trade and other debtors and creditors

These instruments are initially measured at transaction price, including transaction costs, and are subsequently carried at the undiscounted amount of the cash or other consideration expected to be paid or received, after taking account of impairment adjustments.

3 Revenue

The analysis of the company's revenue for the year from continuing operations, all of which is attributable to the United Kingdom, is as follows:

	2018	2017
	£	£
Fee income	6,451,784	6,576,917
Grant income	512,298	515,592
	<u>6,964,082</u>	<u>7,092,509</u>

4 Operating loss

Arrived at after charging

	2018	2017
	£	£
Depreciation expense	384,747	363,369
Amortisation expense	617,815	548,504
Loss on disposal of property, plant and equipment	2,425	95,195
	<u>2,425</u>	<u>95,195</u>

5 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2018	2017
	£	£
Wages and salaries	2,049,937	2,029,875
Social security costs	201,580	196,297
Pension costs, defined benefit scheme	788,000	470,000
	<u>3,039,517</u>	<u>2,696,172</u>

Strata Service Solutions Limited

Notes to the Financial Statements

Year Ended 31 March 2018

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

	2018 No.	2017 No.
Administration and support	<u>74</u>	<u>68</u>

6 Auditor's remuneration

	2018 £	2017 £
Audit of the financial statements	<u>5,220</u>	<u>4,225</u>

7 Interest payable and similar expenses

	2018 £	2017 £
Interest on bank overdrafts and borrowings	-	32
Net finance costs in respect of defined benefit pension scheme	<u>189,000</u>	<u>128,000</u>
	<u>189,000</u>	<u>128,032</u>

8 Taxation

Tax charged/(credited) in the profit and loss account

	2018 £	2017 £
Current taxation		
UK corporation tax	<u>1,212</u>	<u>840</u>

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2017 - higher than the standard rate of corporation tax in the UK) of 19% (2017 - 20%).

The differences are reconciled below:

	2018 £	2017 £
Loss before tax	<u>(1,148,027)</u>	<u>(663,257)</u>
Corporation tax at standard rate	(218,125)	(132,651)
Effect of expense not deductible in determining taxable profit	<u>219,337</u>	<u>133,491</u>
Total tax charge	<u>1,212</u>	<u>840</u>

Strata Service Solutions Limited

Notes to the Financial Statements

Year Ended 31 March 2018

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.

9 Intangible assets

	Software £	Total £
Cost or valuation		
At 1 April 2017	3,102,821	3,102,821
Additions	421,155	421,155
At 31 March 2018	<u>3,523,976</u>	<u>3,523,976</u>
Amortisation		
At 1 April 2017	1,231,093	1,231,093
Amortisation charge	617,815	617,815
At 31 March 2018	<u>1,848,908</u>	<u>1,848,908</u>
Carrying amount		
At 31 March 2018	<u>1,675,068</u>	<u>1,675,068</u>
At 31 March 2017	<u>1,871,728</u>	<u>1,871,728</u>

10 Tangible assets

	Computer equipment £	Total £
Cost or valuation		
At 1 April 2017	1,882,115	1,882,115
Additions	76,459	76,459
Disposals	(7,657)	(7,657)
At 31 March 2018	<u>1,950,917</u>	<u>1,950,917</u>
Depreciation		
At 1 April 2017	781,147	781,147
Charge for the year	384,747	384,747
Eliminated on disposal	(5,233)	(5,233)
At 31 March 2018	<u>1,160,661</u>	<u>1,160,661</u>
Carrying amount		
At 31 March 2018	<u>790,256</u>	<u>790,256</u>
At 31 March 2017	<u>1,100,968</u>	<u>1,100,968</u>

Strata Service Solutions Limited

Notes to the Financial Statements

Year Ended 31 March 2018

11 Debtors

	2018 £	2017 £
Trade debtors	491,050	341,663
Other debtors	3,167	582,189
Prepayments and accrued income	1,024,069	1,005,129
	<u>1,518,286</u>	<u>1,928,981</u>

12 Cash and cash equivalents

	2018 £	2017 £
Cash at bank	<u>1,402,715</u>	<u>811,600</u>

13 Creditors

	2018 £	2017 £
Due within one year		
Trade creditors	283,432	224,465
Corporation tax	1,212	840
Social security and other taxes	241,656	428,791
Other creditors	15,314	12,544
Accrued expenses	1,376,201	1,069,553
	<u>1,917,815</u>	<u>1,736,193</u>
Deferred income		
Government grants	<u>2,049,193</u>	<u>2,062,369</u>

14 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2018 £	2017 £
Not later than one year	51,270	45,888
Later than one year and not later than five years	188,746	4,619
Later than five years	94,158	-
	<u>334,174</u>	<u>50,507</u>

Strata Service Solutions Limited

Notes to the Financial Statements

Year Ended 31 March 2018

15 Pension and other schemes

Defined benefit pension schemes 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 Councils have provided guarantees to meet their share of their respective liabilities to the scheme in the event of the insolvency of the company.

The date of the most recent comprehensive actuarial valuation was 31 March 2018. 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 2021 and will set contributions for the period 1 April 2021 to 31 March 2024. 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.

The total cost relating to defined benefit schemes for the year recognised in profit or loss as an expense was £980,000 (2017 - £601,000).

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the statement of financial position are as follows:

	2018 £	2017 £
Fair value of scheme assets	7,166,000	6,514,000
Present value of defined benefit obligation	<u>(13,918,000)</u>	<u>(13,438,000)</u>
Defined benefit pension scheme deficit	<u>(6,752,000)</u>	<u>(6,924,000)</u>

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	2018 £
Present value at start of year	13,438,000
Current service cost	788,000
Interest cost	377,000
Benefits paid	(68,000)
Contributions by scheme participants	132,000
Change in financial assumptions	<u>(749,000)</u>
Present value at end of year	<u>13,918,000</u>

Strata Service Solutions Limited

Notes to the Financial Statements

Year Ended 31 March 2018

Fair value of scheme assets

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

	2018
	£
Fair value at start of year	6,514,000
Interest income	188,000
Return on plan assets, excluding amounts included in interest income/(expense)	86,000
Employer contributions	317,000
Contributions by scheme participants	132,000
Benefits paid	(68,000)
Administrative expenses	(3,000)
Fair value at end of year	<u>7,166,000</u>

Analysis of assets

The major categories of scheme assets are as follows:

	2018	2017
	£	£
Cash and cash equivalents	175,000	174,000
Equity instruments	5,306,000	4,798,000
Debt instruments	372,000	362,000
Property	667,000	570,000
Other assets	646,000	610,000
	<u>7,166,000</u>	<u>6,514,000</u>

Return on scheme assets

	2018	2017
	£	£
Return on scheme assets	<u>86,000</u>	<u>819,000</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

Year Ended 31 March 2018

Principal actuarial assumptions

The principal actuarial assumptions at the statement of financial position date are as follows:

	2018	2017
	%	%
Discount rate	2.60	2.80
Future salary increases	3.80	4.20
Future pension increases	2.30	2.70
Inflation	3.30	3.60

Post retirement mortality assumptions

	2018	2017
	Years	Years
Current UK pensioners at retirement age - male	24.00	23.00
Current UK pensioners at retirement age - female	26.00	26.00
Future UK pensioners at retirement age - male	26.00	26.00
Future UK pensioners at retirement age - female	28.00	28.00

16 Reserves

Capital contribution reserve

The capital contribution reserve arose on the commencement of trade, following the donation of intangible and tangible fixed assets to the company from the three councils for nil consideration. An element of this is transferred to the profit and loss reserve as the assets are depreciated. Similarly transfers are performed based on gains and losses that arise on the disposal of donated assets.

17 Share capital

Allotted, called up and fully paid shares

	No.	2018	No.	2017
		£		£
Ordinary shares of £1 each	3	3	3	3

18 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £Nil (2017 - £319,519).

Strata Service Solutions Limited

Notes to the Financial Statements

Year Ended 31 March 2018

19 Related party transactions

Key management personnel

The directors are not remunerated from this company, other key management remuneration is as follows:

Key management compensation

	2018	2017
	£	£
Salaries and other short term employee benefits	78,000	67,859
Post-employment benefits	11,466	8,347
	<u>89,466</u>	<u>76,206</u>

Summary of transactions with other related parties

Entities with joint control over the company

The company recognised turnover of £6,964,082 (2017: £7,092,509) to the Councils which jointly control it. At the year end £491,050 (2017: £341,663) was owed to the company by the Councils.

Strata Service Solutions Limited

Detailed Profit and Loss Account

Year Ended 31 March 2018

	2018 £	2017 £
Turnover		
Fee income	6,451,784	6,576,917
Grant income	512,298	515,592
	<u>6,964,082</u>	<u>7,092,509</u>
Cost of sales		
Opening stock	(4,384)	(7,845)
Closing stock	13,406	4,384
Wages and salaries	(2,049,937)	(2,029,875)
Staff NIC (Employers)	(201,580)	(196,297)
Staff pensions (Defined benefit)	(788,000)	(470,000)
Staff training	(33,113)	(34,482)
Temporary staff wages	(9,691)	(35,576)
Other employment costs	(24,934)	(18,071)
Redundancy costs	(51,139)	(53,531)
	<u>(3,149,372)</u>	<u>(2,841,293)</u>
Gross profit	3,814,710	4,251,216
Gross profit (%)	54.78%	59.94%
Administrative expenses		
Administrative expenses	(4,779,795)	(4,790,641)
Operating loss	<u>(965,085)</u>	<u>(539,425)</u>
Other interest receivable and similar income		
Interest income on bank deposits	(6,058)	(4,200)
Interest payable and similar charges		
Interest on bank overdrafts and borrowings	-	(32)
Interest on defined benefit pension scheme	(189,000)	(128,000)
	<u>(189,000)</u>	<u>(128,032)</u>
Loss before tax	<u>(1,148,027)</u>	<u>(663,257)</u>

Strata Service Solutions Limited

Detailed Profit and Loss Account

Year Ended 31 March 2018

	2018 £	2017 £
Administration costs		
Repairs and maintenance	4,887	14,627
Telephone and fax	542,296	510,261
Licences and support	891,633	1,067,161
Office expenses	14,522	-
Computer software and maintenance costs	1,660,401	1,376,487
Printing, postage and stationery	347,331	396,024
Trade subscriptions	1,696	1,149
Sundry expenses	71,504	135,225
Travel and subsistence	31,588	42,485
Advertising	114,160	85,997
Auditor's remuneration	5,220	4,225
Internal audit costs	9,145	16,675
Legal and professional	78,952	131,653
Bank charges	1,473	1,604
Amortisation of intangible assets	617,815	548,504
Depreciation of computer equipment (owned)	384,747	363,369
(Profit)/loss on disposal of tangible fixed assets	2,425	95,195
	<u>4,779,795</u>	<u>4,790,641</u>