

Strata Service Solutions Limited

Annual Report and Financial Statements
Year Ended 31 March 2020

Registration number: 09041662

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APPENDIX B

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

Centenary House

Peninsula Park

Rydon Lane

Exeter

Devon

EX2 7XE

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Strata Service Solutions Limited

Strategic Report for the Year Ended 31 March 2020

The directors present their strategic report for the year ended 31 March 2020.

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 £7,341,744 (2019: £7,566,609) with a loss before taxation for the year of £1,160,170 (2019: loss of £1,180,890). Net current assets are £1,063,056 (2019: £992,567) but the company has net liabilities totalling £5,360,801 (2019: £6,103,568) due to the defined pension liability. In spite of the loss and net liability position, 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.

The restrictions in place to protect the Nation against Covid 19 have had a significant effect on the income generated within the three owner Councils. This will require significant reduction in expenditure if further support is not forthcoming from Central Government. At this stage the Councils have not indicated that they will be reducing their payments to the Company and it is not anticipated that this will happen. At worst the Councils may seek an additional refund and the Company is prepared for this and has identified options, which will not impact on the operational or financial performance of 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 and signed on its behalf by:

.....
Mr R D Hodgson
Director

Strata Service Solutions Limited

Directors' Report for the Year Ended 31 March 2020

The directors present their report and the financial statements for the year ended 31 March 2020.

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 P Nicholls

Disclosure of information to the auditors

Each director has taken 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 on and signed on its behalf by:

.....
Mr R D Hodgson
Director

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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.

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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 2020, 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 2020 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.

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.

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.

Strata Service Solutions Limited

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

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.

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.

Strata Service Solutions Limited

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

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.

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

Centenary House
Peninsula Park
Rydon Lane
Exeter
Devon
EX2 7XE

Date:.....

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Strata Service Solutions Limited

Profit and Loss Account

Year Ended 31 March 2020

	Note	2020 £	2019 £
Turnover	3	7,341,744	7,566,609
Cost of sales		<u>(3,551,672)</u>	<u>(3,264,324)</u>
Gross profit		3,790,072	4,302,285
Administrative expenses		<u>(4,794,101)</u>	<u>(5,320,268)</u>
Operating loss	4	(1,004,029)	(1,017,983)
Other interest receivable and similar income		10,859	8,093
Interest payable and similar charges	7	<u>(167,000)</u>	<u>(171,000)</u>
Loss before tax		(1,160,170)	(1,180,890)
Taxation	8	<u>(2,063)</u>	<u>(1,538)</u>
Loss for the financial year		<u>(1,162,233)</u>	<u>(1,182,428)</u>

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Strata Service Solutions Limited

Statement of Comprehensive Income

Year Ended 31 March 2020

	Note	2020 £	2019 £
Loss for the year		(1,162,233)	(1,182,428)
Remeasurement (loss)/gain on defined benefit pension schemes	14	<u>1,905,000</u>	<u>398,000</u>
Total comprehensive income for the year		<u>742,767</u>	<u>(784,428)</u>

Strata Service Solutions Limited

Balance Sheet

31 March 2020

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	9	1,428,986	1,522,699
Tangible assets	10	722,837	696,032
		<u>2,151,823</u>	<u>2,218,731</u>
Current assets			
Stocks		9,219	10,503
Debtors	11	1,959,454	1,743,598
Cash at bank and in hand		271,259	1,220,725
		<u>2,239,932</u>	<u>2,974,826</u>
Creditors: Amounts falling due within one year	12	<u>(1,176,876)</u>	<u>(1,982,259)</u>
Net current assets		<u>1,063,056</u>	<u>992,567</u>
Total assets less current liabilities		3,214,879	3,211,298
Deferred income	12	<u>(2,650,680)</u>	<u>(2,332,866)</u>
Net assets excluding pension liability		564,199	878,432
Net pension liability	14	<u>(5,925,000)</u>	<u>(6,982,000)</u>
Net liabilities		<u>(5,360,801)</u>	<u>(6,103,568)</u>
Capital and reserves			
Called up share capital	16	3	3
Capital contribution reserve	15	-	240,453
Profit and loss account	15	<u>(5,360,804)</u>	<u>(6,344,024)</u>
Total equity		<u>(5,360,801)</u>	<u>(6,103,568)</u>

Approved and authorised by the Board on 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 2020

	Share capital £	Capital contribution reserve £	Profit and loss account £	Total £
At 1 April 2019	3	240,453	(6,344,024)	(6,103,568)
Loss for the year	-	-	(1,162,233)	(1,162,233)
Other comprehensive income	-	-	1,905,000	1,905,000
Total comprehensive income	-	-	742,767	742,767
Transfer to profit and loss reserve	-	(240,453)	240,453	-
At 31 March 2020	3	-	(5,360,804)	(5,360,801)

	Share capital £	Capital contribution reserve £	Profit and loss account £	Total £
At 1 April 2018	3	668,553	(5,987,696)	(5,319,140)
Loss for the period	-	-	(1,182,428)	(1,182,428)
Other comprehensive income	-	-	398,000	398,000
Total comprehensive income	-	-	(784,428)	(784,428)
Transfer to profit and loss reserve	-	(428,100)	428,100	-
At 31 March 2019	3	240,453	(6,344,024)	(6,103,568)

APPENDIX B**Strata Service Solutions Limited**

Statement of Cash Flows

Year Ended 31 March 2020

	Note	2020 £	2019 £
Cash flows from operating activities			
Loss for the year		(1,162,233)	(1,182,428)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	4	994,883	1,091,684
Loss on disposal of intangible assets		-	4,324
Finance income		(10,859)	(8,093)
Finance costs	7	167,000	171,000
Corporation tax	8	2,063	1,538
		(9,146)	78,025
Working capital adjustments			
Net pension movement	14	681,000	457,000
Decrease in stocks		1,284	3,040
Increase in trade debtors	11	(215,856)	(225,312)
(Decrease)/increase in trade creditors	12	(805,908)	64,118
Increase in deferred income		317,814	283,673
Cash generated from operations		(30,812)	660,544
Corporation tax paid		(1,538)	(1,212)
Net cash flow from operating activities		(32,350)	659,332
Cash flows from investing activities			
Interest received		10,859	8,093
Acquisitions of tangible assets		(404,144)	(301,577)
Acquisition of intangible assets		(523,831)	(547,838)
Net cash flows from investing activities		(917,116)	(841,322)
Net decrease in cash and cash equivalents		(949,466)	(181,990)
Cash and cash equivalents at 1 April		1,220,725	1,402,715
Cash and cash equivalents at 31 March		271,259	1,220,725

The notes on pages 13 to 24 form an integral part of these financial statements.

Strata Service Solutions Limited

Notes to the Financial Statements

Year Ended 31 March 2020

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

On formation of the company, the three sponsoring councils signed up to an agreement for an initial three year period with agreed annual revenue contributions which ended on 1 November 2017. Since then, the agreement has been that 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.

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 guarantees to meet their share of their respective liabilities to the pension scheme in the event of insolvency of the company. This means that the pension deficit does not impact on the financial health of the Company in that there is no requirement for the Company to be able to cover the deficit. The Company is only liable for the actual payments made to the Pension Fund in each year, which are provided for in the funding agreement with the Owners.

The nature of the agreement with the councils 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.

Strata Service Solutions Limited

Notes to the Financial Statements

Year Ended 31 March 2020

The impact of Covid 19 on the business has been considered. The company is continuing to trade as usual, subject to social distancing requirements, and this is expected to continue to be the case as the councils continue to operate and require support. Further, it has support from the three councils as detailed above. Whilst the restrictions put in place have had a significant impact on the owners' income, the continuing provision of an effective IT support system is critical to Councils operational and strategic response. Whilst some additional reduction in costs may be required, the Directors and management team have identified a number of options which will not impact on the operational or financial performance of the Company. The directors therefore do not believe that Covid 19 will have an impact on the company's ability to continue trading.

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

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 £1,428,986 (2019 - £1,522,699).

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 £722,837 (2019 - £696,032).

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 £(5,925,000) (2019 - £(6,982,000)).

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.

Strata Service Solutions Limited

Notes to the Financial Statements

Year Ended 31 March 2020

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.

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 2020

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:

	2020	2019
	£	£
Fee income	6,665,094	7,000,867
Grant income	676,650	565,742
	<u>7,341,744</u>	<u>7,566,609</u>

4 Operating loss

Arrived at after charging

	2020	2019
	£	£
Depreciation expense	377,339	395,801
Amortisation expense	617,544	695,883
Loss on disposal of intangible fixed assets	-	4,324
	<u>-</u>	<u>4,324</u>

Strata Service Solutions Limited

Notes to the Financial Statements

Year Ended 31 March 2020

5 Staff costs

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

	2020 £	2019 £
Wages and salaries	2,233,502	2,171,712
Social security costs	219,060	210,987
Pension costs, defined benefit scheme	1,034,000	788,000
	3,486,562	3,170,699

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

	2020 No.	2019 No.
Administration and support	76	74

6 Auditor's remuneration

	2020 £	2019 £
Audit of the financial statements	5,500	5,500

7 Interest payable and similar expenses

	2020 £	2019 £
Net finance costs in respect of defined benefit pension scheme	167,000	171,000

Strata Service Solutions Limited

Notes to the Financial Statements

Year Ended 31 March 2020

8 Taxation

Tax charged in the profit and loss account

	2020 £	2019 £
Current taxation		
UK corporation tax	2,063	1,538

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2019 - lower than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £	2019 £
Loss before tax	(1,160,170)	(1,180,890)
Corporation tax at standard rate	(220,432)	(224,369)
Effect of expense not deductible in determining taxable profit (tax loss)	222,495	225,907
Total tax charge	2,063	1,538

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 2019	4,034,751	4,034,751
Additions	523,831	523,831
At 31 March 2020	4,558,582	4,558,582
Amortisation		
At 1 April 2019	2,512,052	2,512,052
Amortisation charge	617,544	617,544
At 31 March 2020	3,129,596	3,129,596
Carrying amount		
At 31 March 2020	1,428,986	1,428,986
At 31 March 2019	1,522,699	1,522,699

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Strata Service Solutions Limited

Notes to the Financial Statements

Year Ended 31 March 2020

10 Tangible assets

	Computer equipment £	Total £
Cost or valuation		
At 1 April 2019	2,252,494	2,252,494
Additions	404,144	404,144
Disposals	(160,474)	(160,474)
At 31 March 2020	<u>2,496,164</u>	<u>2,496,164</u>
Depreciation		
At 1 April 2019	1,556,462	1,556,462
Charge for the year	377,339	377,339
Eliminated on disposal	(160,474)	(160,474)
At 31 March 2020	<u>1,773,327</u>	<u>1,773,327</u>
Carrying amount		
At 31 March 2020	<u>722,837</u>	<u>722,837</u>
At 31 March 2019	<u>696,032</u>	<u>696,032</u>

11 Debtors

	2020 £	2019 £
Trade debtors	357,453	35,298
Other debtors	11,511	5,705
Prepayments and accrued income	1,590,490	1,702,595
	<u>1,959,454</u>	<u>1,743,598</u>



Strata Service Solutions Limited

Notes to the Financial Statements

Year Ended 31 March 2020

12 Creditors

	2020	2019
	£	£
Due within one year		
Trade creditors	11,236	385,371
Corporation tax	2,063	1,538
Social security and other taxes	131,249	113,532
Other creditors	2,677	20,023
Accrued expenses	1,029,651	1,461,795
	<u>1,176,876</u>	<u>1,982,259</u>
Deferred income		
Government grants	2,650,680	2,332,866
	<u>2,650,680</u>	<u>2,332,866</u>

13 Obligations under leases and hire purchase contracts**Operating leases**

The total of future minimum lease payments is as follows:

	2020	2019
	£	£
Not later than one year	87,889	86,110
Later than one year and not later than five years	165,762	241,002
Later than five years	1,971	8,801
	<u>255,622</u>	<u>335,913</u>

Lease payments recognised as an expense in the year were £86,110 (2019: £51,270).

Strata Service Solutions Limited

Notes to the Financial Statements

Year Ended 31 March 2020

14 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 2019. 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 2022 and will set contributions for the period 1 April 2023 to 31 March 2026. 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 £1,207,000 (2019 - £964,000).

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

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

	2020 £	2019 £
Fair value of scheme assets	7,882,000	8,023,000
Present value of defined benefit obligation	<u>(13,807,000)</u>	<u>(15,005,000)</u>
Defined benefit pension scheme deficit	<u>(5,925,000)</u>	<u>(6,982,000)</u>

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	2020 £
Present value at start of year	15,005,000
Current service cost	839,000
Past service cost	195,000
Interest cost	370,000
Benefits paid net of transfers in	41,000
Contributions by scheme participants	151,000
Change in demographic assumptions	(314,000)
Experience loss on defined benefit obligations	(416,000)
Change in financial assumptions	<u>(2,064,000)</u>
Present value at end of year	<u>13,807,000</u>

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Strata Service Solutions Limited

Notes to the Financial Statements

Year Ended 31 March 2020

Past service costs relate to the estimate impact of the McCloud judgement.

Fair value of scheme assets

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

	2020
	£
Fair value at start of year	8,023,000
Interest income	203,000
Return on plan assets, excluding amounts included in interest income/(expense)	(883,000)
Actuarial gains and losses	(6,000)
Employer contributions	359,000
Contributions by scheme participants	151,000
Benefits paid	41,000
Administrative expenses	(6,000)
Fair value at end of year	<u>7,882,000</u>

Analysis of assets

The major categories of scheme assets are as follows:

	2020	2019
	£	£
Cash and cash equivalents	92,000	137,000
Equity instruments	5,474,000	6,024,000
Debt instruments	748,000	411,000
Property	743,000	719,000
Other assets	825,000	732,000
	<u>7,882,000</u>	<u>8,023,000</u>

Return on scheme assets

	2020	2019
	£	£
Return on scheme assets	<u>(680,000)</u>	<u>244,000</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 2020

Principal actuarial assumptions

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

	2020	2019
	%	%
Discount rate	2.35	2.45
Future salary increases	2.80	3.85
Future pension increases	1.80	2.35
Inflation	2.60	3.35

Post retirement mortality assumptions

	2020	2019
	Years	Years
Current UK pensioners at retirement age - male	23.00	22.00
Current UK pensioners at retirement age - female	24.00	24.00
Future UK pensioners at retirement age - male	24.00	24.00
Future UK pensioners at retirement age - female	26.00	26.00

15 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. All amounts have been transferred by the year and and there is no reserve remains as at 31 March 2020.

16 Share capital

Allotted, called up and fully paid shares

	2020		2019	
	No.	£	No.	£
Ordinary shares of £1 each	3	3	3	3

17 Commitments

Capital commitments

The Company entered into one commitment at the year end relating to the replacement income management software.

The total amount contracted for but not provided in the financial statements was £153,322 (2019 - £40,360).

Strata Service Solutions Limited

Notes to the Financial Statements

Year Ended 31 March 2020

18 Related party transactions

Key management personnel

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

Key management compensation

	2020 £	2019 £
Salaries and other short term employee benefits	83,232	81,600
Post-employment benefits	12,235	11,995
	95,467	93,595

Summary of transactions with other related parties

Entities with joint control over the company

The company recognised turnover of £7,325,899 (2019: £7,566,609) to the Councils which jointly control it. At the year end £330,663 (2019: £35,298) was owed to the company by the Councils.

Entities under common control

During the year an entity under common control received services from the company to the value of £15,139 (2019: £nil). At the year end £1,809 (2019: £nil) was owed to the company by the company under common control.

APPENDIX B**Strata Service Solutions Limited**

Detailed Profit and Loss Account

Year Ended 31 March 2020

	2020	2019
	£	£
Turnover		
Fee income	6,665,094	7,000,867
Grant income	676,650	565,742
	<u>7,341,744</u>	<u>7,566,609</u>
Cost of sales		
Opening stock	(10,503)	(13,406)
Closing stock	9,219	10,503
Wages and salaries	(2,233,502)	(2,171,712)
Staff NIC (Employers)	(219,060)	(210,987)
Staff pensions (Defined benefit)	(1,034,000)	(788,000)
Staff training	(37,812)	(19,420)
Temporary staff wages	(11,295)	(31,790)
Other employment costs	(14,719)	(23,617)
Redundancy costs	-	(15,895)
	<u>(3,551,672)</u>	<u>(3,264,324)</u>
Gross profit	3,790,072	4,302,285
Gross profit (%)	51.62%	56.86%
Administrative expenses		
Administrative expenses	(4,794,101)	(5,320,268)
Operating loss	(1,004,029)	(1,017,983)
Other interest receivable and similar income		
Interest income on bank deposits	(10,859)	(8,093)
Interest payable and similar charges		
Interest on defined benefit pension scheme	(167,000)	(171,000)
Loss before tax	<u>(1,160,170)</u>	<u>(1,180,890)</u>

APPENDIX B

Strata Service Solutions Limited

Detailed Profit and Loss Account

Year Ended 31 March 2020

	2020 £	2019 £
Administration costs		
Repairs and maintenance	7,928	8,391
Telephone and fax	442,468	555,531
Licences and support	1,051,547	1,059,478
Office expenses	-	26
Computer software and maintenance costs	1,633,321	1,900,969
Printing, postage and stationery	331,291	294,103
Trade subscriptions	4,190	615
Sundry expenses	57,392	60,510
Research and development	-	491
Travel and subsistence	37,590	36,903
Advertising	114,134	127,981
Auditor's remuneration	5,500	5,500
Internal audit costs	8,400	8,400
Legal and professional	103,829	164,013
Bank charges	1,628	1,349
Amortisation of intangible assets	617,544	695,883
Depreciation of computer equipment (owned)	377,339	395,801
(Profit)/loss on disposal of intangible fixed assets	-	4,324
	<u>4,794,101</u>	<u>5,320,268</u>