Commercial Services Kent Limited

Financial Statements
for the year ended 31 March 2018

Company Registration Number 05858177

CONTENTS

COMPANY INFORMATION

Directors	A C Baldwin J D Burr J Evans A Lattimer N Major E L Mitchell K M Short N P A Vickers
Company Secretary	K M Short
Registered Office	1 Abbey Wood Road Kings Hill West Malling Kent ME19 4YT
Registered Number	05858177
Independent Auditor	Grant Thornton UK LLP 30 Finsbury Square London EC2A 1AG

Introduction

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

Review of the business

The company provides a range of services including provision of temporary staff, waste management, vehicle leasing and other managed portfolio services.

Results and performance

The results of the company for the year are set out on page 11 and show a profit for the financial year attributable to the shareholder of £597,000 (2017: £860,000). The equity attributable to the shareholder totals £1,594,000 (2017: £1,497,000).

The performance of the company during the year reflects an anticipated reduction in provision of temporary staff, a reduction in our fees on managed services, the introduction of fleet services and reflection of the previous year's one off project to arrange pothole and patching repairs to the minor road network. Whilst there has been a reduction in our clients' spend this year, trade levels continue to be satisfactory in the current climate and a similar performance is expected for the year ended 31 March 2019.

Key performance indicators

The company uses a range of performance measures to monitor and manage the business effectively. These are both financial and non-financial and the most significant of these are the key performance indicators. The key financial performance indicators are revenue, gross profit, and net profit. These KPIs indicate the volume of work the company has undertaken as well as the efficiency and profitability with which this work has been delivered.

Principal risks and uncertainties

The principal risk and uncertainty facing the company is that the majority of the company's revenue is with Local Authorities. Cuts in local government spending are impacting on the volume of work available to the company from existing customers. The company is seeking to mitigate this risk by pursuing new partnership agreements and adhoc commissions.

Failure to protect the company's reputation and brands could lead to a loss of trust and confidence and a decline in our customer base.

Outlook and future developments

Business Environment
The company continues to operate in a challenging environment where the impact of austerity measures is impacting our public sector customers. This impacts the ability of the company to organically grow. The company has responded during the year by innovatively bidding for unplanned adhoc opportunities to be delivered in future years. This should strengthen track record for future similar opportunities.

Outlook and future developments (continued)

Strategy

Given the business environment described, the company is spreading risk by continuing to provide a diverse range of managed services and consolidating its position by concentrating efforts on achieving maximum growth in its existing market segments. In addition we aim to improve efficiency in all areas of our operations through cost reduction and more effective use of resources. This should enable the company to maintain its overall position.

Overall the company aims to deliver shareholder value by:

- delivering sales growth through new services that complement the company's portfolio ;
- enhancing margins through operational efficiencies; and
- managing operations and working capital proficiently to generate strong cash flows.

Financial risk management

In common with other businesses, the company aims to minimise financial risk. The measures used by the directors to manage this risk include the preparation of profit and cash flow forecasts, regular monitoring of actual performance against these forecasts and ensuring that adequate financing facilities are in place to meet the requirements of the business. Trade debtors are also closely monitored to keep the risk of bad debts to a minimum.

This report was approved by the board on 21 June 2018 and signed on its behalf.

J D Burr
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2018

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

Future developments

Future developments of the business are discussed in the strategic report.

Dividends

A dividend of £500,000 payable on 18th October 2018 is included in the current year financial statements as it was approved by the members on 18th January 2018.

Financial instruments

The company's activities expose it to a variety of financial risks: credit risk; liquidity risk; and cash flow risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

Risk management is carried out on a group basis by the finance department of Commercial Services Kent Limited using principles provided by the board.

a) Credit risk
Credit limits are set for customers based on a combination of credit checks and trading history. The limits are reviewed regularly and the debts are actively chased by the credit control department.

b) Liquidity risk
Working capital requirements are regularly reviewed in conjunction with available financing facilities as part of routine financial management.

c) Cash flow risk
As the company has no significant interest bearing assets, the company's income and operating cash flows are substantially independent of changes in market interest rates.

d) Currency risk
As the vast majority of both sales and purchases are transacted in sterling, the company has minimal exposure to translation and transaction foreign exchange risk.

Directors

The directors, and those who served during the year and up to the date of signing these financial statements, were as follows:

A C Baldwin
J D Burr
J Evans
A Lattimer
N Major
E L Mitchell
K M Short
N P A Vickers

Employees

Employee involvement
Consultation with employees or their representatives has continued at all levels with the aims of ensuring that their views are taken into account when decisions are made that are likely to affect their interests. All employees are aware of the financial and economic performance of their business units and of the company as a whole. Communication with all employees continues through the in-house information bulletins and reports as well as informal monthly meetings and quarterly updates.

Disabled persons
Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Statement of director's responsibilities

The directors are responsible for preparing 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Statement of director's responsibilities (continued)

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 then apply them consistently;
- state whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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, 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.

The directors 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.

Disclosure of information to auditors

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have 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.

By order of the board

K M Short
Company Secretary
21 June 2018

Opinion

We have audited the financial statements of Commercial Services Kent Limited (the 'company') for the year ended 31 March 2018 which comprise the statement of comprehensive income, balance sheet, statement of changes in equity 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 profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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.

Who we are reporting to

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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the financial statements set out on pages 3 to 7 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.

Opinions on other matters 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 the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report has been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the 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 or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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 for the financial statements

As explained more fully in the statement of directors' responsibilities set out on pages 6 and 7, 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.

Grant Thornton UK LLP

Richard Hagley BSc FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
21 June 2018

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 £000	2017 £000
Turnover	4	**41,334**	51,235
Cost of sales		**(33,217)**	(41,676)
Gross profit		**8,117**	9,559
Administrative expenses		**(7,282)**	(8,228)
Operating profit	5	**835**	1,331
Interest receivable and similar income	7	**3**	5
Interest payable and similar charges	7	**(148)**	(263)
Profit on ordinary activities before taxation		**690**	1,073
Tax on profit on ordinary activities	8	**(93)**	(213)
Profit for the financial year		**597**	860
Profit for the financial year attributable to owners of the parent		**597**	860
Total comprehensive income for the year attributable to owners of the parent		**597**	860

The above all relate to continuing operations of the company.

COMMERCIAL SERVICES KENT LIMITED
COMPANY REGISTRATION NUMBER: 05858177

BALANCE SHEET
AS AT 31 MARCH 2018

	Note	2018 £000	2017 £000
Fixed assets			
Intangible assets	9	**4,031**	4,251
Tangible assets	10	**197**	438
		4,228	4,689
Current assets			
Inventories	11	**1**	1
Debtors	12	**3,737**	5,108
Cash at bank and in hand		**2,165**	1,438
		5,903	6,547
Creditors – amounts falling due within one year	13	**(6,586)**	(6,429)
Net current assets		**(683)**	118
Total assets less current liabilities		**3,545**	4,807
Creditors – amounts falling due after more than one year	14	**(1,496)**	(2,948)
Provision for other liabilities	16	**(455)**	(362)
Net assets		**1,594**	1,497
Capital and reserves			
Called up share capital	17	**-**	-
Retained earnings		**1,594**	1,497
Equity attributable to owners of the parent		**1,594**	1,497

The notes on pages 14 to 31 are an integral part of these financial statements.

The financial statements on pages 11 to 31 were authorised for issue by the board of directors on 21 June 2018 and were signed on its behalf.

J D Burr
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018

	Called up Share capital £000	Retained earnings £000	Total £000
Balance at 1 April 2016	-	637	637
Profit for the year	-	860	860
Total comprehensive income for the year	**-**	**860**	**860**
Balance as at 31 March 2017	**-**	**1,497**	**1,497**
Profit for the year	-	597	597
Total comprehensive income for the year	**-**	**597**	**597**
Dividends	-	(500)	(500)
Total transactions with owners, recognised directly in equity	**-**	**(500)**	**(500)**
Balance as at 31 March 2018	**-**	**1,594**	**1,594**

1. General information

Commercial Services Kent Limited ("the company") operates a diversified portfolio of businesses delivering a range of services within the UK and some niche services to support the shareholder. The company operates with a number of recognised brand names.

The company is a private company limited by shares and is incorporated in the United Kingdom and registered in England. The address of its registered office is 1 Abbey Wood Road, Kings Hill, West Malling, Kent, ME19 4YT.

2. Statement of compliance

The financial statements of Commercial Services Kent Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Summary of significant accounting policies

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. The company has adopted FRS102 in these financial statements.

a) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company accounting policies.

b) Going concern

The company relies on the support of its ultimate parent undertaking, Kent County Council. The ultimate parent undertaking has given assurances that its support will not be withdrawn. It is on this basis that the company continues to adopt the going concern basis in preparing its financial statements.

3. Summary of significant accounting policies (continued)

c) Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the company's shareholder.

The company has taken advantage of the following exemptions:

i. from preparing a statement of cash flows under FRS 102 paragraph 1.12(b), on the basis that it is a qualifying entity and its immediate parent company, Kent County Trading Limited, includes the company's cash flows in its own consolidated financial statements;
ii. from the financial instruments disclosure requirements of FRS 102 paragraphs 11.39 – 11.48A and 12.26 – 12.29 under FRS 102 paragraph 1.12(c), on the basis that it is a qualifying entity and its immediate parent company, Kent County Trading Limited, includes the company's financial instruments disclosures in its own consolidated financial statements; and
iii. from disclosing the company key management personnel compensation, as required by FRS 102 paragraph 33.7.

d) Foreign currency

i. Functional and presentation currency

The company's functional and presentation currency is the pound sterling.

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

3. Summary of significant accounting policies (continued)

e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of discounts and rebates allowed by the company and valued added taxes.

i. Sale of goods

The company operates a fleet business which sells and leases vehicles to customers. Revenue from the sale of new and used vehicles is recognised at the point at which a customer takes possession of a vehicle. Vehicles are leased to customers on back to back contracts with suppliers and revenue is recognised over the period of the lease. Where amounts are received in advance this is disclosed in other liabilities as deferred income.

ii. Sale of services

The company operates a recruitment agency. Revenue from temporary placements, which represents amounts billed for the services of temporary staff including the salary cost of these staff, is recognised when the service has been provided. Revenue from permanent placements is typically based on a percentage of the candidate's remuneration package and is recognised when a candidate commences employment.

The company operates waste sites for Kent County Council. Revenue for contractual services is recognised over the period of the contract and revenue for variable haulage is recognised based on activity.

The company operates a print works business for which revenue is recognised on the completion of each job.

The company supplies back office services, including the supply of staff, under managed service arrangements to group undertakings and Kent County Council. Revenue from back office services is recognised based on an allocation of the costs incurred. Revenue from the supply of staff is recognised as payroll costs are incurred.

In the previous year the company supplied road pothole and patching services for which revenue was recognised on completion of each job.

3. Summary of significant accounting policies (continued)

f) Employee benefits

The company provides a range of benefits to employees, including commission and bonus arrangements, paid holiday arrangements and defined contribution pension plans.

i. Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits are recognised as an expense in the period in which the service is received.

ii. Defined contribution pension plans

The company operates defined contribution plans for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown as accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

The company also makes defined contributions for employees transferred from Kent County Council on 1 April 2013 under a TUPE arrangement. These employees participate in the Kent County Council Pension Fund, part of the Local Government Pension Scheme, a defined benefit statutory scheme. The company's obligations to this scheme have been agreed at a fixed rate. The company accounts for the scheme as a defined contribution scheme. The pension charged to the statement of comprehensive income represents the amounts payable by the company to the fund in respect of the year.

iii. Commission and bonus plans

The company operates a number of commission and bonus plans for employees. An expense is recognised in the statement of comprehensive income when the company has a legal or constructive obligation to make payments under the plans as a result of past events and a reliable estimate of the obligation can be made.

g) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

3. Summary of significant accounting policies (continued)

g) Taxation (continued)

i. Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

ii. Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

h) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

- Computer software 5 years
- Software development 5 to 10 years

Amortisation is charged to administrative expenses in the statement of comprehensive income.

Where factors such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

3. Summary of significant accounting policies (continued)

h) Intangible assets (continued)

Costs associated with maintaining computer software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during the development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

i) Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs.

i. Fixtures, fittings and equipment

Fixtures, fittings and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

ii. Depreciation and residual values

Depreciation on assets is calculated, using the straight-line method, to allocate the depreciable amount to their residual values over their estimated useful lives, as follows:

- Fixtures, fittings and equipment 5 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

3. Summary of significant accounting policies (continued)

i) Tangible assets (continued)

iii. Subsequent additions and major components

Subsequent costs, including major inspections, are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the company and the cost can be measured reliably.

The carrying amount of any replaced component is derecognised. Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over its useful life.

Repairs, maintenance and minor inspection costs are expensed as incurred.

iv. Derecognition

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the statement of comprehensive income and included in administrative expenses.

j) Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

k) Leased assets

At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

i. Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

ii. Lease incentives

Incentives received to enter into an operating lease are credited to the statement of comprehensive income, to reduce the lease expense, on a straight-line basis over the period of the lease.

3. Summary of significant accounting policies (continued)

l) Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to sell. Inventories are recognised as an expense in the period in which the related revenue is recognised.

Cost is determined on the first-in, first-out (FIFO) method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the inventory to its present location and condition.

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the statement of comprehensive income. Where a reversal of the impairment is required the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the statement of comprehensive income.

m) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks less bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

n) Provisions and contingencies

i. Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even of the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

In particular provision is not made for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in provision due to passage of time is recognised as a finance cost.

3. Summary of significant accounting policies (continued)

n) Provisions and contingencies (continued)

ii. Contingencies

Contingent liabilities are not recognised. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

o) Financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

i. Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

ii. Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

3. Summary of significant accounting policies (continued)

o) Financial instruments (continued)

ii. Financial liabilities (continued)

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and are subsequently measured at amortised cost using the effective interest method.

iii. Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

p) Share capital

Ordinary shares are classified as equity.

q) Distributions to equity holders

Dividends and other distributions to the company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the shareholders. These amounts are recognised in the statement of changes in equity.

r) Related party transactions

The company does not disclose related party transactions in accordance with FRS 102 paragraph 33.11 in relation to:

i. Kent County Council; and
ii. entities that are related parties because they are controlled by Kent County Council.

4. Turnover

Analysis of turnover by category:

	2018 **£000**	2017 £000
Sales of goods	**852**	354
Services	**40,482**	50,881
	41,334	51,235

5. Operating profit

Operating profit is stated after charging:

	Note	2018 £000	2017 £000
Wages and salaries		**15,497**	17,702
Social security costs		**1,355**	1,538
Other pension costs	15	**1,171**	1,353
Total staff costs		**18,023**	20,593
Amounts capitalised	9	**(361)**	(411)
Staff costs charged to profit and loss		**17,662**	20,182
Impairment of trade receivables		**(10)**	(285)
Operating lease charges		**258**	-
Audit fees payable to the company's auditor		**16**	15

In accordance with SI 2008/489 the company has not disclosed the fees payable to the company's auditor for 'Other services' as this information is included in the consolidated financial statements of Kent County Trading Limited.

6. Employees and directors

Employees

The average monthly number of persons (including executive directors) employed by the company during the year was:

	2018 No.	2017 No.
Temporary staff	**229**	298
Administration staff	**87**	87
Direct services	**312**	355
Recruitment	**29**	34
Other	**16**	16
	673	790

6. Employees and directors (continued)

Directors
The directors' emoluments were as follows:

	2018 £000	2017 £000
Aggregate emoluments	**470**	365
Post-employment benefits	**37**	29
Sums paid to third parties for directors' services	**35**	168
Compensation for loss of office	**-**	136
	542	698

Post-employment benefits are accruing for three directors (2017: five) under defined contribution schemes. No directors (2017: none) were members of company defined benefits schemes.

Highest paid director
The highest paid director's emoluments were as follows:

	2018 £000	2017 £000
Aggregate emoluments	**167**	165
Post-employment benefits	**16**	15
	183	180

7. Net interest expense

a) Interest receivable and similar income

	2018 £000	2017 £000
Bank interest received	**3**	5
Total interest receivable and similar income	**3**	5

b) Interest payable and similar charges

	2018 £000	2017 £000
Interest expense on related party loans	**148**	263
Total interest payable and similar charges	**148**	263

8. Income tax

a) Tax expense included in profit or loss

	2018 £000	2017 £000
Current tax:		
- UK corporation tax on profits for the year	-	-
- Adjustment in respect of prior periods	-	-
Total current tax	-	-
Deferred tax:		
- *Origination and reversal of timing differences*	**105**	213
- Adjustment in respect of prior periods	**6**	-
- Impact of change in tax rate	**(18)**	-
Total deferred tax	**93**	213
Tax on profit on ordinary activities	**93**	213

b) Reconciliation of tax charge

Tax assessed for the period is lower (2017: lower) than the standard rate of corporation tax in the UK for the year ended 31 March 2018 of 19% (2017: 20%). The differences are explained below:

	2018 £000	2017 £000
Profit on ordinary activities before tax	**690**	1,073
Profit multiplied by the standard rate of tax in the UK of 19% (2017: 20%)	**131**	215
Effects of:		
- Unrecognised deferred tax	**(30)**	-
- Expenses not deductible for tax purposes	**4**	(2)
- Adjustments to tax charge in respect of prior years	**6**	-
- Re-measurement of deferred tax – change in UK tax rate	**(18)**	-
Tax charge for year	**93**	213

c) Tax rate changes

The tax rate for the current year is lower than the prior year, due to changes in the UK corporation tax rate, which decreased from 20% to 19% from 1 April 2017. Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rates to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

9. Intangible assets

	Computer software £000	Software development £000	Total £000
At 31 March 2017			
Cost	1,127	3,762	4,889
Accumulated amortisation	(327)	(311)	(638)
Net book amount	800	3,451	4,251
Year ended 31 March 2018			
Opening net book amount	**800**	**3,451**	**4,251**
Additions	**64**	**17**	**81**
Additions – internally generated	**184**	**177**	**361**
Amortisation	**(224)**	**(438)**	**(662)**
Closing net book amount	**824**	**3,207**	**4,031**
At 31 March 2018			
Cost	**1,375**	**3,956**	**5,331**
Accumulated amortisation	**(551)**	**(749)**	**(1,300)**
Net book amount	**824**	**3,207**	**4,031**

The company's bill validation and invoicing software is included in software development and has a carrying value of £2,787,000 and is being amortised over 10 years.

The useful life of software is based on its expected utilisation by the company.

10. Tangible assets

	Fixtures, fittings and equipment £000	Total £000
At 31 March 2017		
Cost	1,210	1,210
Accumulated depreciation	(772)	(772)
Net book amount	438	438
Year ended 31 March 2018		
Opening net book amount	**438**	**438**
Additions	**1**	**1**
Depreciation	**(242)**	**(242)**
Closing net book amount	**197**	**197**
At 31 March 2018		
Cost	**1,211**	**1,211**
Accumulated depreciation	**(1,014)**	**(1,014)**
Net book amount	**197**	**197**

11. Inventories

	2018 £000	2017 £000
Raw materials and consumables	**1**	1
	1	1

There is no significant difference between the replacement cost of the inventory and its carrying amount.

12. Debtors

	2018 £000	2017 £000
Trade debtors	**2,655**	1,243
Amounts owed by group undertakings	**10**	13
Other receivables	**28**	1,567
Prepayments	**774**	572
Accrued income	**270**	1,713
	3,737	5,108

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Trade debtors are stated after provisions for impairment of £112,000 (2017: £141,000).

13. Creditors: amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	**570**	650
Amounts owed to group undertakings	**1,736**	1,682
Other taxation and social security	**1,260**	1,089
Other creditors	**416**	765
Accruals and deferred income	**2,104**	2,243
Dividends payable	**500**	-
	6,586	6,429

Amounts due to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

14. Creditors: amounts falling due after more than one year

	2018 £000	2017 £000
Amounts falling due between one and five years		
Related party loans	**1,496**	2,948
	1,496	2,948

The related party loans carry interest at 4.73% and are due for repayment on 31 March 2030.

15. Post-employment benefits

The company provides defined contribution schemes for its employees. This includes participation in the Local Government Pension Scheme for which the employer contributions have been set at a fixed rate.

The amount recognised as an expense for the defined contribution schemes was:

	2018 £000	2017 £000
Current period contributions	**1,171**	1,353

16. Provision for other liabilities

The company had the following provisions during the year:

	Deferred tax provision £000	Total £000
At 1 April 2017	**362**	**362**
Amount charged to profit or loss	**93**	**93**
At 31 March 2018	**455**	**455**

Deferred tax

The provision for deferred tax consists of the following deferred tax liabilities/(assets):

	2018 £000	2017 £000
Acquired intangible assets	**585**	681
Capital allowances	**(37)**	(22)
Unused tax losses	**(65)**	(254)
Other timing differences	**(28)**	(43)
	455	362

Unused tax losses amount to £345,000 (2017: £1,271,000).

The net deferred tax liability expected to reverse in 2018 is £40,000. This primarily relates to the reversal of timing differences on acquired intangible and tangible assets and capital allowances through depreciation and amortisation, offset by expected tax deductions when payments are made to utilise provisions.

17. Share capital and other reserves

Ordinary shares of £1 each Allotted and fully paid	Number	£
At 1 April 2017	2	2
At 31 March 2018	**2**	2

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

18. Capital and other commitments

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

Payments due	2018 £000	2017 £000
Not later than one year	**455**	-
Later than one year and not later than five years	**1,050**	-
	1,505	-

The company had no other off-balance sheet arrangements.

19. Related party transactions

See note 6 for disclosure of the directors' remuneration.

The company's other related party transactions were with: other companies that are wholly owned within the group and so have not been disclosed under FRS 102 paragraph 33.1A; and Kent County Council or entities controlled by Kent County Council and so have not been disclosed under FRS 102 paragraph 33.11.

20. Controlling party

The immediate parent undertaking and the smallest and largest group to consolidate these financial statements is Kent County Trading Limited. Copies of the Kent County Trading Limited consolidated financial statements can be obtained from the Company Secretary at 1 Abbey Wood Road, Kings Hill, West Malling, Kent, ME19 4YT.

The ultimate parent undertaking and ultimate controlling party is Kent County Council, whose principal place of business is County Hall, Maidstone, Kent, ME14 1XQ. The financial statements of Kent County Council can be obtained from County Hall, Maidstone, Kent, ME14 1XQ.