Annual Report and Financial Statements Acivico Limited

For the year ended 31 March 2019

Registered number: 07792304

Company Information

Directors	Ian Benson Ian Briggs Peter Griffiths Frederick Grindrod Kenneth Wood
Registered number	07792304
Registered office	Louisa House, 92-93 Edward Street Birmingham West Midlands B1 2RA
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor The Colmore Building 20 Colmore Circus Birmingham West Midlands B4 6AT

Contents

Group Strategic report

For the year ended 31 March 2019

The directors present their strategic report and the audited financial statements for the year ended 31 March 2019.

Principal activities

The principal activities of the Group are the provision of building consultancy, design, construction and facilities management services within the construction and property industry. Additional professional services include Civic Catering, Cleaning and Birmingham City Laboratories. These supply catering, cleaning, asbestos surveys and toxicology testing to members of the public and Birmingham City Council (BCC).

During 2018/19, the additional professional services Civic Catering, Cleaning and Birmingham City Laboratories were discontinued, with services transferring back to BCC as part of a review of the future business operating model for Acivico Limited and its subsidiary companies.

The Acivico mission for 2018/19 has been to continue to be a partner of choice for the provision of workplace and built environment support services in the public and private sectors by collaborating with customers, adding business and social value over the whole asset life cycle to our clients.

Business review

Birmingham City Council is Acivico's 100% shareholder and also the Group's main client. The Group continues to undertake work for other public and private sector clients.

In 2017/18, Acivico reached a significant crossroads in operating against its original business model following the reporting of significant losses. This signalled the need for immediate action in relation to stabilising the business and developing a plan to return the company to profitability and growth. In response, the company has restructured its Design, Construction and Facilities Management division to form Technical Services and disbanded Professional Support Services (PSS) amalgamating this team into individual service areas of Technical Services and Building Consultancy. The principal activities of Building Consultancy remain unchanged.

In stabilising the Group, activity was identified through four key themes being to improve business efficiency, commercial growth, stopping non profitable activities and contract review and rationalisation. Working on rebuilding reputation and repositioning Acivico has been a key priority during 2018/19 and will continue in future years.

A three year business plan was developed and approved by the Board and Shareholder which takes Acivico forward as a professional services and facilities management business in the property and construction industry for both public and private clients. The future operating model also moves away from the provision of a total facilities management service and therefore the professional services Civic Catering, Cleaning and Birmingham City Laboratories were discontinued at agreed dates, with services transferring back to BCC. Together these services incurred a loss in the year of £2,396,000 (2018 - £2,554,000).

During the year, turnover was £31,392,000 (2018 - £31,365,000) therefore remaining constant between reporting periods. Continuing operations turnover was £25,383,000 in 2019 (2018 - £23,660,000) being an improvement on the Group's principal core business of 7.3%.

The overall loss after tax was £3,271,000 (2018 - £6,525,000). Continuing operations losses in 2019 were £875,000 (2018 - £3,971,000). During 2019, the Group incurred one off expenditure, for example stabilising project resource costs. The proportion of costs attributed to continuing operations was £373,000. If these costs were excluded from the continuing operations loss of £875,000, the Group would have achieved a loss of £502,000. This demonstrates Acivico's commitment to stabilising the business during 2018/19 and focus for profitability and growth in future years.

Group Strategic report (continued)

For the year ended 31 March 2019

Acivico's commitment to its stakeholders means on-going implementation of the Birmingham Business Charter accreditation for social responsibility which ensures a comprehensive suite of actions are fulfilled around the themes of: addressing local employment, buying Birmingham first, partnering with communities, being a responsible employer (including payment of Living Wage), ensuring green and sustainable operations and ethical procurement.

The development of charter commitments are fulfilled on an on-going basis whilst the company successfully meets the needs of the principal shareholder and wider stakeholders.

Principal risks and uncertainties

The three year business plan is predicated on increasing revenue growth, enhancing the skills and capabilities of the workforce and IT investment to provide efficient and effective internal systems and enhance the customer experience. A number of assumptions have been made based upon current and predicted market conditions, reputation, social and economic factors. These will need to be regularly reviewed with appropriate mitigations put in place to ensure success of the future operating model.

A risk to the company is the continuing reliance on support from BCC. Under current arrangements, BCC has a contract with Acivico for the provision of Building Consultancy services until 2021, DCFM services as part of the approved business plan is committed to put in place a new three contract with BCC following the expiry of the existing contract on 30 September 2019.

Risk is overseen by the Audit Committee and regularly reported throughout all service areas.

Key performance indicators

Acivico's key measure of its performance is earnings before interest, tax, depreciation and amortisation (EBITDA) being a loss of £2,826,000 in 2019 (2018 - £6,067,000) of which continuing operations is £751,000 (2018 - £3,621,000).

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

Ian Briggs
Director
Date: 25/9/19

Peter Griffiths
Director
Date: 25/9/19

Director's report

For the year ended 31 March 2019

The directors present their report for the year ended 31 March 2019.

Results and dividends

The loss for the year, after taxation, amounted to £3,271,000 (2018 - loss £6,525,000).

The directors do not recommend the payment of a dividend (2018 -£nil).

Going concern

Acivico (Building Consultancy) Ltd currently has a contract with Birmingham City Council to March 2021 and Acivico (Design, Construction and Facilities Management) Ltd has a period of exclusivity to deliver services to the Council to September 2019. Acivico has received a letter of assurance confirming that the shareholder will continue to support the companies for a period of 12 months from the date of approval of these financial statements.

Future developments

On 11 December 2018, Birmingham City Council Cabinet confirmed that the Council would remain a shareholder of the Acivico Group for the foreseeable future and that it provides a new three year contract (under Teckal rules), for the remaining core businesses of Building Consultancy and Design, Construction and Facilities Management services.

Post balance sheet events

There are no other events affecting the Group since year-end.

Directors

The directors who served during the year and subsequently were:

Ian Benson (appointed 26 June 2019)
Councillor Randal Brew (resigned 11 May 2018)
Ian Briggs
Michael Gregson (resigned 19 November 2018)
Peter Griffiths (appointed 25 July 2018)
Frederick Grindrod (appointed 25 July 2018)
Trevor Haynes (resigned 25 April 2018)
Catherine Newhall-Caiger (resigned 27 February 2019)
Claire Spencer (resigned 21 September 2018)
Kenneth Wood (appointed 25 July 2018)

Employee involvement

The average number of people employed was 254. Acivico has an 'Equal Opportunities in Employment Policy' which means that we welcome staff irrespective of gender, race, disability, colour, ethnic or national origin, nationality, sexuality, gender identity, marital status, responsibility for dependants, religion, trade union activity and age. Acivico is also a Living Wage employer.

Acivico acknowledges Trade Unions and engages in active collaboration with them via monthly consultation meeting.

Director's report (continued)

For the year ended 31 March 2019

Employee involvement (continued)

Acivico views employee engagement as a key element to the future success of the business, especially whilst undergoing the transformation programme as previously described. Weekly updates have been drafted and issued to all members of staff, along with staff briefings at key milestone points in the process. Current performance (financial and non-financial) and key challenges were shared with staff to ensure they were briefed on the current and future direction of the business.

In addition to the staff briefings and weekly updates, Breakfast with the Executive Management Team (EMT) was introduced to give employees direct access to EMT members to ask any specific questions and address concerns that they had. These sessions were also used for EMT to further enforce the key messages and achievements in the transformation project.

During 2018/2019 the Group adhered to all the principles of the Business Charter for Social Responsibility.

Disabled employees

The policy of the Group is to give full consideration to employment applications from disabled people who have the necessary attributes and abilities to perform the duties of the job including continuing employment during the period in which they are employed.

Directors indemnity

The Group has provided qualifying third party indemnity provisions in respect of the board of directors which were in force during the year through to the date of this report.

Directors' responsibilities statement

The directors are responsible for preparing the Group strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable laws 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 then 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 [not required for small and medium-sized companies], and

Director's report (continued)

For the year ended 31 March 2019

Directors' responsibilities statement (continued)

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose, with reasonable accuracy at any time, the financial position of the company and 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.

Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Group's auditor is unaware, and

- the directors have taken all the steps that they ought to have been taken as directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Auditor

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

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

Ian Briggs
Director
Date: 25/9/19

Peter Griffiths
Director
Date: 28/9/19

Grant Thornton

Independent auditor's report to the members of Acivico Limited

Opinion

We have audited the financial statements of Acivico Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2019, which comprise the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated balance sheet, the company balance sheet, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated 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 group's and of the parent company's affairs as at 31 March 2019 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 group and the parent 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 group's or the parent 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.

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 have been prepared in accordance with applicable legal requirements.

Grant Thornton

Independent auditor's report to the members of Acivico Limited (continued)

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

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

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on pages 4 and 5, 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 group's and the parent 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 group or the parent 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.

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.

Grant Thornton UK LLP.

Rebecca Eagle
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham
25 September 2019

Consolidated profit and loss account

For the year ended 31 March 2019

	Note	2019 Continuing operations £000	2019 Discontinued operations £000	2019 Total £000	2018 Continuing operations (as restated) £000	2018 Discontinued operations (as restated) £000	2018 Total £000
Turnover	4	**25,383**	**6,009**	**31,392**	23,660	7,705	31,365
Cost of sales		**(20,592)**	**(5,150)**	**(25,742)**	(20,278)	(6,243)	(26,521)
Gross profit		**4,791**	**859**	**5,650**	3,382	1,462	4,844
Administrative expenses		**(6,525)**	**(3,366)**	**(9,891)**	(7,247)	(3,922)	(11,169)
Exceptional items	9	**(629)**	**(257)**	**(886)**	-	-	-
Other operating income	10	**1,601**	**425**	**2,026**	-	-	-
Operating loss	5	**(762)**	**(2,339)**	**(3,101)**	(3,865)	(2,460)	(6,325)
Other finance expense	11	**(177)**	**(57)**	**(234)**	(109)	(94)	(203)
Loss before tax		**(939)**	**(2,396)**	**(3,335)**	(3,974)	(2,554)	(6,528)
Tax on loss on ordinary activities	12	**64**	**-**	**64**	3	-	3
Loss for the year		**(875)**	**(2,396)**	**(3,271)**	(3,971)	(2,554)	(6,525)

Consolidated statement of comprehensive income

For the year ended 31 March 2019

	Note	2019 £000	2018 £000
Loss for the financial year		**(3,271)**	(6,525)
Other comprehensive income			
Actuarial gain on defined benefit pension scheme	25	**1,695**	906
Other comprehensive income for the year		**1,695**	906
Total comprehensive income for the year		**(1,576)**	(5,619)

The notes on pages 16 to 31 form part of these financial statements.

Consolidated balance sheet

As at 31 March 2019

	Note		2019 £000		2018 £000
Tangible fixed assets	14		**1,821**		2,103
Current assets					
Stocks	16	**5**		51	
Debtors	17	**8,366**		11,645	
Cash at bank and in hand	18	**1,501**		548	
		9,872		12,244	
Creditors: amounts falling due within one year	19	**(16,227)**		(18,757)	
Net current liabilities			**(6,355)**		(6,513)
Provision for liabilities	21		**(348)**		(470)
Net liabilities excluding pension liability			**(4,882)**		(4,880)
Pension liability	25		**(10,930)**		(9,356)
Net liabilities			**(15,812)**		(14,236)
Capital and reserves					
Retained earnings	23		**(15,812)**		(14,537)
Earmarked reserve			**-**		311
Shareholders deficit			**(15,812)**		(14,236)

The financial statements were approved and authorised for issue by the board and signed on its behalf:

Ian Briggs
Director
Date: 25/9/19

Peter Griffiths
Director
Date: 28/9/19

The notes on pages 16 to 31 form part of these financial statements.

Company balance sheet

As at 31 March 2019

	Note		2019 £000		2018 £000
Tangible fixed assets	14		**1,814**		2,059
Current assets					
Debtors: amounts falling due within one year	17	**61**		61	
		61		61	
Creditors: amounts falling due within one year	19	**(1,875)**		(2,120)	
Total assets less current liabilities			**-**		-
Net assets			**-**		-
Capital and reserves	22,23		**-**		-

The company profit for the year was £nil (2018 -£nil).

The financial statements were approved and authorised for issue by the board and signed on its behalf:

Ian Briggs
Director
Date: 25/9/19.

Peter Griffiths
Director
Date: 28/9/19

The notes on pages 16 to 31 form part of these financial statements

Consolidated statement of changes in equity

For the year ended 31 March 2019

	Share capital £000	Retained earnings £000	Earmarked reserve £000	Total equity £000
At 1 April 2018	-	(14,547)	311	(14,236)
Comprehensive income for the year				
Loss for the year	-	(3,271)	-	(3,271)
Actuarial gain (note 25)	-	1,695	-	1,695
Other comprehensive income for the year	-	1,695	-	1,695
Total comprehensive income for the year	-	(1,576)	-	(1,576)
Transfer from earmarked reserve		311	(311)	-
Total transactions with owners	-	-	-	-
At 31 March 2019	-	(15,812)	-	(15,812)

The notes on page 16 to 31 form part of these financial statements

Consolidated statement of changes in equity

For the year ended 31 March 2018

	Share capital £000	Retained earnings £000	Earmarked reserve £000	Total equity £000
At 1 April 2017	-	(8,617)	-	(8,617)
Comprehensive income for the year				
Loss for the year	-	(6,525)	-	(6,525)
Actuarial gain (note 25)	-	906	-	906
Other comprehensive income for the year	-	906	-	906
Total comprehensive income for the year	-	(5,619)	-	(5,619)
Transfer to earmarked reserve		(311)	311	-
Total transactions with owners	-	-	-	-
At 31 March 2018	-	(14,547)	311	(14,236)

The notes on pages 16 to 31 form part of these financial statements.

Company statement of changes in equity
For the year ended 31 March 2019

	Share capital	Total equity
	£	£
At 1 April 2018 and 31 March 2019	200	200

Company statement of changes in equity
For the year ended 31 March 2018

	Share capital	Total equity
	£	£
At 1 April 2017 and 31 March 2018	200	200

The notes on pages 16 to 31 form part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 March 2019

	2019 £000	2018 £000
Cash flows from operating activities		
Loss for the financial year	**(3,271)**	(6,525)
Adjustments for:		
Interest payable	**234**	203
Taxation	**(64)**	(3)
Depreciation	**257**	258
Impairment	**18**	-
Decrease in stocks	**46**	13
Decrease in debtors	**3,286**	3,381
(Decrease)/increase in creditors	**(2,530)**	568
(Decrease)/increase in provision	**(122)**	470
Increase in net pension liability, net of pension contributions	**4,691**	4,165
Pension contributions paid	**(1,656)**	(1,946)
Corporation tax received	**64**	-
Net cash generated from operating activities	**953**	584
Cash flows from investing activities		
Purchase of tangible fixed assets	**-**	(99)
Interest received	**-**	-
Net cash from investing activities	**-**	(99)
Net cash from financing activities – interest paid	**-**	-
Net increase /(decrease) in cash and cash equivalents	**953**	485
Cash and cash equivalents at beginning of year	**548**	63
Cash and cash equivalents at the end of year	**1,501**	548
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**1,501**	548
Bank overdrafts	**-**	-
	1,501	548

The notes on pages 16 to 31 form part of these financial statements.

Notes to the financial statements

For the year ended 31 March 2019

1. General information

The Company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is Louisa House, 92-93 Edward Street, Birmingham, West Midlands, B1 2RA. Its principal activity is that of a holding company whose subsidiaries are engaged in the provision of building consultancy, design, construction and facilities management services within the property and construction sector. The Company registered number is 07792304.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and on the going concern basis in accordance with Financial Reporting Standard (FRS)102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment for consistency in applying the Group's accounting policies (see note 3).

The following principal accounting policies have been applied consistently throughout the current and preceding financial year unless otherwise stated.

2.2 Basis of consolidation

The consolidated financial statements present the results of Group and its own subsidiaries ("the Group") as if they were a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably, and;
- the costs incurred and the costs to complete the contract can be measured reliably.

2.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Notes to the financial statements
For the year ended 31 March 2019

2. Accounting policies (continued)

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Fixtures and fittings	14%	per annum
Plant and machinery	20%	per annum
Leasehold improvements	10%	per annum

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the statement of comprehensive income.

2.5 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.6 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to sell. Cost is based on the cost of purchase on a first in, first out basis.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment.

Debtors due after more than one year are measured at transaction price, less any impairment.

Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

Notes to the financial statements

For the year ended 31 March 2019

2. Accounting policies (continued)

2.9 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable and loans to related parties.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the profit and loss account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an 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.

2.10 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.11 Provisions for liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

2.12 Pensions

Defined benefit pension plan

The Group operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the balance sheet date less the fair value of plan assets at the balance sheet date out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by

discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

Notes to the financial statements

For the year ended 31 March 2019

2. Accounting policies (continued)

2.12 Pensions

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Group's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as actuarial gains or losses.

The cost of the defined benefit plan is recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:
a) the increase in net pension benefit liability arising from employee service during the period; and
b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

2.13 Interest income

Interest income is recognised in the profit and loss account using the effective interest method.

2.14 Taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

2.15 Related party transactions

The company has taken advantage of the exemption contained in FRS 102 and has therefore not disclosed transactions or balances with entities which form part of the Group of companies headed by Birmingham City Council and are wholly owned.

The directors are the only key management personnel of the company. Details of their remuneration is included in note 8.

2.16 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

Notes to the financial statements

For the year ended 31 March 2019

3. Judgements in applying accounting policies and key sources of estimation uncertainty

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

Judgement has been applied in deriving the provision in note 21.

The only material areas of estimation relate to the assumptions used in the valuation of the defined benefit scheme's assets and liabilities, and in relation to trade debtors.

The key assumptions are: discount rate to produce net present value, increases in inflation rates, pensions and salaries and mortality rates. Details are included in note 25.

Trade debtors consist of amounts due from customers. An allowance for doubtful debt is maintained for estimated losses resulting from the viability of the company's customers to make required payment. The allowance is based on the Group's regular assessment of the credit worthiness and financial conditions of customers.

4. Analysis of turnover

The whole of the turnover is attributable to the Group's principal activity.

All turnover arose within the United Kingdom.

5. Operating loss

The operating loss is stated after charging:

	Group 2019 £000	Group 2018 £000
Depreciation	**257**	258
Amounts paid under operating leases	**60**	60

6 Auditors remuneration

	2019 £000	2018 £000
Fees payable to the Company's auditor and its associates for the audit of the company's annual financial statements and those of its subsidiaries	**40**	39

Notes to the financial statements

For the year ended 31 March 2019

7. Employees

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

Wages and salaries	**7,928**	9,126
Social security costs	**738**	856
Cost of defined benefit pension scheme	**4,438**	3,566
	13,104	13,548

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

	2019 No.	2018 No.
Technical	**186**	223
Management and support	**68**	90
	254	313

8. Directors' remuneration

	2019 £000	2018 £000
Directors' emoluments	**65**	105
Pension contributions	**11**	20
	76	125

During the year retirement benefits were accruing 1 director (2018 - 1) in respect of defined benefit pension schemes.

9. Exceptional items

	2019 £000	2018 £000
Pension scheme past service cost (note 25)	**886**	-
	886	-

Notes to the financial statements

For the year ended 31 March 2019

10. Other operating income

As part of the stabilisation plan for the Group, as agreed with the shareholder, funding of £1,769,000 (2018 £nil) was provided by the shareholder to meet redundancy costs included within administration expenses. In addition to this, the shareholder has underwritten part of the additional pension liability (note 25) totalling £257,000 included within discontinued operations.

11. Other finance costs

	2019 £000	2018 £000
Net interest on defined benefit pension liability	**234**	203
	234	203

12. Taxation

	2019	2018
Corporation tax	**£000**	£000
Current tax on losses for the year	**-**	-
Adjustments in respect of previous periods	**(64)**	(3)
Total current tax	**(64)**	(3)
Taxation on loss on ordinary activities	**(64)**	(3)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £000	2018 £000
Loss on ordinary activities before tax	**(3,335)**	(6,528)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 -19%)	**(634)**	(1,240)
Effects of:		
Losses carried forward	**634**	1,240
Adjustments to tax charge in respect of prior periods	**(64)**	(3)
Total tax credit for the year	**(64)**	(3)

Notes to the financial statements

For the year ended 31 March 2019

12. Taxation (continued)

Factors which may affect future tax charges

Following substantive enactment in 2015, the main rate of corporation tax reduced to 19% (effective 1 April 2017) and will reduce to 17% (effective 1 April 2020). This will impact the Company's future tax charges accordingly.

13. Parent company financial statements

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The loss after tax of the parent Company for the year was £nil (2018 - £nil).

It has also taken advantage of the exemption within FRS 102 and not presented a parent Company statement of cashflows.

14. Tangible fixed assets

Group	Leasehold Improvements £000	Fixtures and Fittings £000	Plant and machinery £000	Total £000
Cost or valuation				
At 1 April 2018	2,087	255	72	2,414
Disposals	-	-	(12)	(12)
At 31 March 2019	2,087	255	60	2,402
Depreciation				
At 1 April 2018	240	43	28	311
Provided during the year	209	36	12	257
Disposals	-	-	(5)	(5)
Impairment Loss	-	-	18	18
At 31 March 2019	449	79	53	581
Net book value				
At 31 March 2019	**1,638**	**176**	**7**	**1,821**
At 31 March 2018	1,847	212	44	2,103

Notes to the financial statements

For the year ended 31 March 2019

14. Tangible fixed assets

Company	Leasehold Improvements £'000	Fixtures and Fittings £'000	Total £'000
Cost or valuation			
At 1 April 2018	2,087	255	2,342
At 31 March 2019	2,087	255	2,342
Depreciation			
At 1 April 2018	240	43	283
Provided during the year	209	36	245
At 31 March 2019	449	79	528
Net book value			
At 31 March 2019	1,638	176	1,645
At 31 March 2018	1,847	212	2,059

15. Fixed asset investments

The Company holds an investment in subsidiaries held at cost of £200 (2018 - £200) stated net of impairment of £nil (2018 - £nil).

Its subsidiaries are Acivico (Building Consultancy) Limited and Acivico (Design, Construction and Facilities Management) Limited. Acivico Limited holds 100% of the ordinary share capital of both companies which are both incorporated in England.

16. Stocks

	Group 2019 £000	Group 2018 £000
Finished goods and goods for resale	5	51
	5	51

The difference between purchase price or production cost of stocks and their replacement cost is not material.

Stock recognised in cost of sales during the year as an expense was £413,000 (2018 - £779,000).

17. Debtors

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Trade debtors	**1,145**	2,192	**-**	-
Amounts owed by ultimate controlling party	**5,473**	6,582	**-**	-
Other debtors	**1,748**	2,871	**61**	61
	8,366	11,645	**61**	61

Debtors due after more than one year amount to £26,000 (2018 - £nil).

Amounts released from the provision for doubtful debts amounted to £777,000. In 2018 amounts charged to the provision for doubtful debts amounted to £717,000

Amounts owed by ultimate controlling party are unsecured debt, attracting no interest and are payable on demand.

18. Cash and cash equivalents

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Cash at bank and in hand	**1,501**	548	**-**	-
	1,501	548	**-**	-

19. Creditors: Amounts falling due within one year

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Bank overdraft	**-**	-	**1,658**	1,871
Trade creditors	**5,635**	5,961	**-**	-
Amounts owed to ultimate controlling party	**10,177**	12,443	**-**	-
Taxation and social security	**123**	204	**-**	-
Other creditors	**292**	149	**217**	249
	16,227	18,757	**1,875**	2,120

Amounts owed to ultimate controlling party are unsecured debt, attracting no interest and are payable on demand.

Notes to the financial statements

For the year ended 31 March 2019

20. Financial instruments

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Cash and cash equivalents	**1,501**	548	**-**	-
Financial assets measured at amortised cost	**6,618**	8,774	**61**	61
	8,119	9,322	**61**	61
Bank overdraft	**-**	-	**(1,658)**	(1,871)
Financial liabilities measured at amortised cost	**(16,104)**	(18,553)	**(217)**	(249)
	(16,104)	(18,553)	**(1,875)**	(2,120)

Financial assets measured at amortised cost comprise trade debtors and amounts owed by ultimate controlling party and other certain amounts.

Financial liabilities measured at amortised cost comprise bank overdrafts, trade creditors, amounts owed to ultimate controlling party and other creditors.

21. Provisions

	EDSI £000	Employment matter £000
At 1 April 2018	470	-
Amounts charged to profit or loss	-	100
Amounts released in year	(222)	-
At 31 March 2019	248	100

The above provision includes a potential liability for design errors and/or omissions in respect of Education and Skills Infrastructure schools where the Group considers the likelihood of economic outflow to be greater than remote. The employment matter concluded within 2019/20.

22. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
200 (2018 – 200) ordinary shares of £1 each	**200**	200

Notes to the financial statements
For the year ended 31 March 2019

23. Reserves

Retained earnings
Retained earnings contains all current and prior period retained earnings and £2.5m (2018 £4.2m) of accumulated losses in relation to the pension scheme.

Earmarked Reserve
The earmarked reserve contains amounts relating to the abatement of pension contributions owed to the ultimate controlling party.

24. Operating lease commitments

At 31 March 2019 the Group and the company had future minimum lease payments under non-cancellable operating leases as follows

	2019 £000	2018 £000
Due < 1 year	**243**	243
Due 2-5 years	**973**	973
Due > 5 years	**519**	730
	1,735	1,946

25. Pension commitments

The Group participates in the West Midlands Pension Fund, a Local Government Pension Scheme.

The information disclosed below is in respect of the whole of the plans for which the Company is either the sponsoring employer or has been allocated a share of cost under an agreed Group policy throughout the periods shown.

The valuation to assess the liabilities of the scheme at 31 March 2019 has been based on the most recent actuarial valuation as at 31 March 2016 and updated by a qualified independent actuary to take into account the requirements of FRS 102.

Notes to the financial statements

For the year ended 31 March 2019

25. Pension commitments (continued)

The reconciliations of present value of plan liabilities and fair value of plan assets are as follows:

	2019 **£000**	2018 £000
Present value of plan liabilities at the beginning of the year	**87,024**	85,104
Current service cost	**2,753**	3,218
Interest cost	**2,199**	2,350
Past service cost, including curtailments	**1,642**	314
Actuarial gains	**(802)**	(3,002)
Contributions by scheme participants	**518**	599
Benefits paid	**(2,857)**	(1,559)
Present value of plan liabilities at the end of the year	**90,477**	87,024

Fair value of plan assets at the beginning of the year	**77,668**	77,264
Interest	**1,965**	2,147
Actuarial gains/(losses)	**893**	(2,096)
Contributions by scheme participants and employer	**1,656**	1,946
Benefits paid	**(2,857)**	(1,559)
Administrative expenses	**(35)**	(34)
Liabilities underwritten by ultimate controlling party	**257**	-
Fair value of plan assets at the end of the year	**79,547**	77,668

Notes to the financial statements

For the year ended 31 March 2019

25. Pension commitments (continued)

Composition of plan assets:

Equities	**46,865**	49,642
Government bonds	**7,617**	5,676
Other bonds	**3,056**	2,971
Property	**6,734**	5,980
Cash/liquidity	**2,511**	1,911
Other	**12,764**	11,488
Total plan assets	**79,547**	77,668

The actual return on plan assets during the year was £2,858,000 (2018: £51,000).

	2019 £000	2018 £000
Fair value of plan assets	**79,547**	77,668
Present value of plan liabilities	**(90,477)**	(87,024)
Net pension scheme liability	**(10,930)**	(9,356)

Amounts charged to profit or loss in the year were:

	2019 £000	2018 £000
Current and past service cost	**4,395**	3,532
Net interest on defined benefit liability	**234**	203
Administrative expenses	**35**	34
Liabilities underwritten by ultimate controlling party	**(257)**	-
Total	**4,407**	3,768

The Group expects to contribute £1,119,000 to its defined benefit pension scheme in the year to March 2020.

Notes to the financial statements

For the year ended 31 March 2019

25. Pension commitments (continued)

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

	2019	2018
Discount rate	**2.4%**	2.6%
Future salary increases	**3.9%**	3.8%
Future pension increases	**2.4%**	2.3%
CPI increases	**2.4%**	2.3%
Mortality rates		
- for a male aged 65 now	**20.9**	21.9
- at 65 for a male aged 45 now	**22.6**	24.0
- for a female aged 65 now	**23.2**	24.3
- at 65 for a female member aged 45 now	**25.0**	26.6

No employees of the parent company were members of the defined benefit scheme.

The valuation of the defined benefit obligation is sensitive to the assumption adopted for the discount rate. The effect of a 0.1% increase or 0.1% decrease on the service cost and total obligation respectively is set out below:

	0.1% increase	0.1% decrease
Effect on the service cost	(52)	56
Effect on defined benefit obligation	(1,717)	1,752

In January 2017, an Employment Tribunal ruled that transitional provisions in the New Judicial Pension Scheme (NJPS) were unlawfully age discriminatory because they were not objectively justified. The Tribunal found that a group of claimant judges had been subject to age discrimination when they were transferred to the NJPS established in April 2015 while under transitional provisions older colleagues were able to remain in the existing Judicial Pension Scheme (JPS). The JPS is a final salary scheme whereas the NJPS is a career average revalued earnings scheme.

Firefighters had brought a similar age discrimination case and the Employment Tribunal ruled that similar transitional provisions were a proportionate means of achieving a legitimate aim and so do not give rise to unlawful age discrimination. Firefighters appealed the ruling and in December 2018 the Court of Appeal looked at both the judges' and firefighters' cases and ruled that transfers to the new schemes established in 2015 were discriminatory on the basis of age.

Notes to the financial statements
For the year ended 31 March 2019

25. Pension commitments (continued)

Where the transitional provisions are unlawful those members who are found to have been discriminated against need to be offered appropriate remedies to ensure they are placed in an equivalent position to the protected members.

The Government applied to the Supreme Court for permission to appeal and on 27 June 2019 it was announced this was denied.

The Directors consider this ruling and the subsequent failure by the Government to be granted permission to appeal to create a new defined benefit pension scheme obligation and, having consulted with the scheme actuary, has recognised an additional liability of £886,000 as a past service cost at 31 March 2019. The Directors consider this cost to be non-recurring and significant in size and nature and has therefore presented this cost as an exceptional item.

26. Controlling party

The company is a wholly owned subsidiary of Birmingham City Council, a Local Authority in England and Wales, which is the ultimate controlling party.