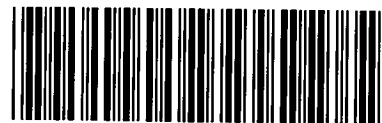


REGISTERED NUMBER: SC416826

BON ACCORD CARE LIMITED
STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

SATURDAY



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FOR THE YEAR ENDED 31 MARCH 2017**

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BON ACCORD CARE LIMITED (SC416826)

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 MARCH 2017**

DIRECTORS

**Tim Gardiner
Alan Grant
Heather Gray
John MacLean
Andrew Newall
Graham Parker
Sandra Ross**

REGISTERED OFFICE

**Inspire Building
Beach Boulevard
Aberdeen
AB24 5HP**

REGISTERED NUMBER

SC416826

AUDITOR

**Johnston Carmichael LLP
Chartered Accountants and Registered
Auditor
Bishop's Court
29 Albyn Place
Aberdeen
AB10 1YL**

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2017**

The Directors present their Strategic Report for the year ended 31 March 2017.

Corporate Overview

Bon Accord Care Limited provides elderly care and occupational therapy services to the people of Aberdeen. The company operates throughout the Aberdeen area in private homes, sheltered housing and specialised facilities. The company is contracted to Bon Accord Support Services Limited which itself acts on behalf of Aberdeen City Council to provide these services. The company operates to a trading break even position with its sole customer Bon Accord Support Services Limited. Financial activity through the company is exclusively payroll related, the company employing approximately 725 permanent staff at March 2017.

The company is wholly owned by Aberdeen City Council, with the sole purpose of delivering care to the adult population of the Aberdeen City Council area.

Profit & Loss Account

These accounts summarise the financial position for the year to 31 March 2017. The company reports a turnover of £20,689,000. The company aims to show a trading break-even on the business associated with its sole customer Bon Accord Support Services Limited. This was achieved prior to an adjustment for pension deficit.

Turning to the actual company performance in 2016/17 the Board is pleased to report another successful year for Bon Accord Care Limited. The company was asked to deliver efficiency savings whilst maintaining activity levels. I am pleased to report that this was achieved and as a further measure of success the company was able to improve on its service quality as evidenced by an improvement in the overall Care Inspectorate grading of the services we provide. Indeed we now have 5 services that have been rated at 5 – “very good” and our 9 other Care Inspectorate registered services have been graded at 4 – “good”. It is particularly difficult to maintain service quality in times of financial constraint so to deliver financial savings *and* improve service quality at the same time demonstrates the effectiveness of the company, its staff and its management. It is something the Board is very proud of.

The accounts reflect the actuarially assessed pension deficit of £9,521,000, an increase of £556,000 on the reported deficit of £8,965,000 at 31 March 2016. The deficit is associated with staff who are members of the North East Scotland Pension Fund, a Local Government Pension Scheme. When the changes to the overall pension valuation are reflected in the accounts the company reports a loss for the year of £1,488,000 and a total comprehensive expense of £556,000. The pension fund is a defined benefit pension arrangement. The cumulative deficit is reflected in our financial statements in accordance with FRS102 guidance.

Balance Sheet

Overall the net worth of the company has reduced by £556,000 in the year, a movement entirely due to the increase in the actuarially assessed pension deficit. Readers are reminded that this is not in any way an immediate cash liability to the company rather it is an assessment of the present value of the company's future overall obligations under our pension arrangement. Aside from this we see company net assets remain unchanged overall since last year and that cash holdings remain high increasing by £252,000 to a total of £809,000 at 31 March 2017.

Principal Risks and Uncertainties

The company is almost entirely funded by Aberdeen City Council through its sub-contract arrangement with Bon Accord Support Services Limited. Given that fact the financial pressures placed upon public bodies such as Aberdeen City Council present the most significant element of business risk to the company. Financial austerity within the public sector could force Aberdeen City Council to reduce their investment in adult care services. The company will always aim to deliver the maximum levels of quality care within the sub-contract sum awarded by Aberdeen City Council through the sub-contract arrangement with Bon Accord Support Services Limited.

**STRATEGIC REPORT continued
FOR THE YEAR ENDED 31 MARCH 2017**

The Directors anticipate that the pressure to continually reduce overall spend on public services will continue. Given that assumption, the Board has put in place several strategic initiatives to deliver real savings whilst maintaining or improving the volume and quality of our services. The company has initiated a full strategic review of all its operations and practices with a view to delivering improved value for money and service quality to the citizens of Aberdeen. All aspects of the business will be examined. This process will yield significant savings and service improvements both in 2017/18 and beyond. We have material efficiency targets to be met in 2017/18 as in 2016/17 – the company is on track to achieve those targets.

Our services are being constantly re-examined to ensure the care delivery structure is appropriate and to make changes in service configurations where further efficiencies can be secured.

Bon Accord Support Services Limited's existing 5 year contractual arrangement with Aberdeen City Council will expire on 31 July 2018, given the sub-contractual relationship of the company to Bon Accord Support Services Limited this has a direct bearing on Bon Accord Care Limited. The Directors of Bon Accord Care Limited and representatives of the Aberdeen City Health and Social Care Partnership, who manage the provision of adult social care on behalf of Aberdeen City Council, have already begun the discussions regarding the nature of and continuation of our business relationship with Aberdeen City Council. The Board of Bon Accord Care Limited have been given initial proposals by the Aberdeen City Health and Social Care Partnership that confirms their intention to extend their business relationship with Bon Accord Support Services Limited beyond 2018 for a period of at least 3 years. This will directly extend the sub-contract relationship between Bon Accord Care Limited and Bon Accord Support Services Limited. There are many discussions yet to be undertaken over the coming months before the final contractual relationship is more fully defined beyond July 2018 however the Board is certain that a suitable sub-contract agreement will be in place to ensure the future of the company beyond the end of its current sub-contract arrangement.

Given the continuing pension liability held within the company's balance sheet the Directors of the company have sought and have received the written assurance of Aberdeen City Council of their commitment to continue to provide funding enabling the company to meet its financial obligations as they fall due.

Key performance Indicators

Bon Accord Care Limited is a company wholly owned by Aberdeen City Council with the principal aim of delivering high quality adult social care to the citizens of Aberdeen in the most efficient way thus ensuring it offers the best value for money to the local taxpayer. To achieve this, the company approaches all that it does from a commercial viewpoint. However we deliver a public service so considerations of the quality of service we provide and the responsible treatment of our staff mean that, after we can ensure that we will operate within our contracted sum, we aim to maximise service delivery not business profit. The company targets the maximisation of volume and quality in services we provide to our service users with the aim of breaking even financially each year. Any savings made are re-invested in the delivery of our services.

Each year the company agrees the service levels to be provided and the annual cost of those services with the Aberdeen City Health and Social Care Partnership through the sub-contract arrangement with Bon Accord Support Services Ltd. We must then deliver or beat those commitments. To generate profit by reducing activity is not acceptable, delivery to or exceeding activity targets within the contracted sum is our principal KPI. This was achieved in 2016/17 with activity targets met and we recorded an operating break-even for the year before any adjustments for the pension liability were made.

**STRATEGIC REPORT continued
FOR THE YEAR ENDED 31 MARCH 2017**

In terms of quality our services are externally assessed by the Care Inspectorate who will visit our services (usually un-announced) and audit all aspects of what we do. Following inspection reports any issues and any remedial actions required are highlighted. Various aspects of the services are scored from 1 (unacceptable) to 6 (an exemplar). As mentioned above average service quality score increased in the year the average increase recorded being 14%. With our final average quality rating across our 14 registered services at March 2017 being 4.4 – which is “good” under the scoring system. We are progressing well toward an overall “very good” rating of 5.

ON BEHALF OF THE BOARD:

A handwritten signature in black ink, consisting of a large, stylized initial 'J' followed by a long horizontal line that ends in a small loop.

JOHN MACLEAN

FINANCE DIRECTOR

DATE: 29 September 2017

BON ACCORD CARE LIMITED (SC416826)

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2017

The directors present their report with the financial statements of the company for the year ended 31 March 2017.

DIVIDENDS

No dividends will be distributed for the year ended 31 March 2017.

DIRECTORS

The directors shown below have held office from 1 April 2016 to the date of this report:

Tim Gardiner
Alan Grant
Heather Gray
John MacLean
Andrew Newall
Graham Parker
Sandra Ross

Employee Policy

Bon Accord Care Ltd. employs staff regardless of race, gender, disability or sexual orientation. The company aims to apply best industry practice in supporting all staff to perform to the best of their abilities in their role within the organisation.

Staff Involvement

Bon Accord Care Limited believes strongly in open, honest and clear communication with all levels of staff within the organisation. The company also believe that communication must work both ways so staff are empowered to have confidence that if issues or concerns are raised they will be heard and acted upon as appropriate.

The company uses several methods to communicate with and involve staff in the management of the company. These are as follows:

1. BAC Chat: this is a quarterly newsletter in a "magazine" format sent to all staff and includes detail of developments in the company, new policies, company performance and any and all other information that is relevant or of interest to staff members.
2. Chat BAC: this is published 8 times each year, monthly when BAC Chat is not published. This is also sent to all staff and is a brief update on what is happening in the company.
3. Staff forums are held in all the main work areas quarterly, these are run by the Managing Director and are organised as a drop-in meeting open to all staff so they can raise issues or concerns directly with senior management of the organisation.
4. Senior management meet with union representatives on a monthly basis.
5. The company operates a scheme that reward staff with a Union Square voucher for i.e. a special achievement or simply working above and beyond the call of duty.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Liquidity risk

The company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the company has sufficient liquid resources to meet the operating needs of the business.

Credit risk

Investments of cash surpluses, borrowings and derivative instruments are made through banks and companies which must fulfil credit rating criteria approved by the Board.

All customers who wish to trade on credit terms are subject to credit verification procedures. Trade debtors are monitored on an on-going basis and provision is made for doubtful debts where necessary.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

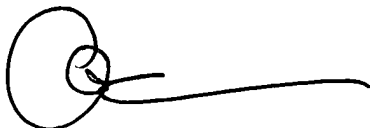
AUDITOR

The auditor, Johnston Carmichael LLP, will be deemed re-appointed under S487 of the Companies Act 2006.

DIRECTORS' LIABILITY INSURANCE

The company has an insurance policy in place underwritten by Zurich Municipal that provides cover for the Directors against any personal liability arising from claims of a Management, Corporate or Employment Practices nature. The policy is an annual arrangement with a renewal date of 25 November.

ON BEHALF OF THE BOARD:



JOHN MACLEAN

FINANCE DIRECTOR

DATE: 29 September 2017

BON ACCORD CARE LIMITED (SC416826)

**STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 MARCH 2017**

The directors are responsible for preparing the Strategic Report, Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. 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;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

We have audited the financial statements of Bon Accord Care Limited for the year ended 31 March 2017 which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page nine, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

In our opinion the financial statements:

- Give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its loss for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit, the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements. The Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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 and in the Report of the Directors.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- The financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Johnston Carmichael LLP

Fiona Kenneth (Senior Statutory Auditor)
for and on behalf of Johnston Carmichael LLP
Chartered Accountants and Statutory Auditor
Bishop's Court
29 Albyn Place
Aberdeen
AB10 1YL

3 October 2017

BON ACCORD CARE LIMITED (SC416826)**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2017**

	Notes	Normal Operations £'000	Pension Adjustment £'000	2017 £'000	2016 £'000
TURNOVER	3	20,689	-	20,689	20,160
Cost of sales		<u>(20,578)</u>	<u>(1,153)</u>	<u>(21,731)</u>	<u>(21,560)</u>
GROSS PROFIT/(LOSS)		111	(1,153)	(1,042)	(1,400)
Administrative expenses		<u>(166)</u>	<u>(57)</u>	<u>(223)</u>	<u>(242)</u>
		<u>(55)</u>	<u>(1,210)</u>	<u>(1,265)</u>	<u>(1,642)</u>
Other operating income		<u>47</u>	<u>-</u>	<u>47</u>	<u>122</u>
OPERATING LOSS	5	(8)	(1,210)	(1,218)	(1,520)
Interest receivable and similar income		8	-	8	17
Other finance costs		<u>-</u>	<u>(278)</u>	<u>(278)</u>	<u>(297)</u>
LOSS BEFORE TAX		-	(1,488)	(1,488)	(1,800)
Corporation tax	6	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
LOSS FOR THE FINANCIAL YEAR		<u>-</u>	<u>(1,488)</u>	<u>(1,488)</u>	<u>(1,800)</u>

The Profit and Loss Account has been prepared on the basis that all operations are continuing operations.

BON ACCORD CARE LIMITED (SC416826)

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017**


	Notes	2017 £'000	2016 £'000
LOSS FOR THE FINANCIAL YEAR		(1,488)	(1,800)
Other comprehensive income			
Actuarial gain on defined benefit pension scheme	11	932	3,054
		<hr/>	<hr/>
Other comprehensive income for the year		932	3,054
		<hr/>	<hr/>
TOTAL COMPREHENSIVE (EXPENSE) / INCOME FOR THE YEAR		(556)	1,254

BON ACCORD CARE LIMITED (SC416826)

**BALANCE SHEET
31 MARCH 2017**

		2017 £'000	2016 £'000
CURRENT ASSETS	Notes		
Debtors	7	147	301
Cash at bank and in hand		809	557
		<u>956</u>	<u>858</u>
CREDITORS			
Amounts falling due within one year	8	<u>(956)</u>	<u>(858)</u>
NET CURRENT ASSETS / (LIABILITIES)		<u>-</u>	<u>-</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		-	-
PENSION LIABILITY	11	<u>(9,521)</u>	<u>(8,965)</u>
NET LIABILITIES		<u>(9,521)</u>	<u>(8,965)</u>
CAPITAL AND RESERVES			
Called up share capital	9	-	-
Retained earnings	10	<u>(9,521)</u>	<u>(8,965)</u>
SHAREHOLDER'S DEFICIT		<u>(9,521)</u>	<u>(8,965)</u>

The financial statements were approved by the Board of Directors on 29 September 2017 and were signed on its behalf by:



John MacLean
Director

BON ACCORD CARE LIMITED (SC416826)

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017**

	Notes	Share capital £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2015		-	(10,219)	(10,219)
Loss for the year		-	(1,800)	(1,800)
Actuarial gain on defined benefit pension scheme		-	3,054	3,054
Balance at 31 March 2016		-	(8,965)	(8,965)
Loss for the year		-	(1,488)	(1,488)
Actuarial gain on defined benefit pension scheme	11	-	932	932
Balance at 31 March 2017		-	(9,521)	(9,521)

1. ACCOUNTING POLICIES

Company information

Bon Accord Care Limited is a private limited company domiciled and incorporated in Scotland. The registered office is Inspire Building, Beach Boulevard, Aberdeen, AB24 5HP.

Accounting Convention

The financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historic cost convention modified to include certain financial instruments at fair value. The principal accounting policies are set out below.

FRS 102 reduced disclosure framework

The company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it.

The company has taken advantage of the following disclosure exemptions under FRS 102:

- (a) The requirements of Section 7 "Statement of Cash Flows" and Section 3 "Financial Statement Presentation" paragraph 3.17 (d).
- (b) Certain disclosure requirements in relation to financial instruments contained in sections 11 and 12.
- (c) The requirement of Section 33 "Related Party Disclosures" paragraph 33.7.

Going Concern

The company expects to trade on an operational break-even basis for the foreseeable future, maximising the provision of care provided to the people of Aberdeen within the contracted sum. The pension deficit arising from the company's future commitments under the North East Scotland Pension Fund presents issues regarding the longer term going concern status of the company.

The company supplies its services to Bon Accord Support Services Limited who in turn are contracted by Aberdeen City Council. Bon Accord Support Services Limited reported a trading profit for the year to 31st March 2017 however the company continues to carry a brought forward deficit relating to its first 8 months of operation. The pressure on the public sector finances continues both in 2016/17 and for the foreseeable future. The company's owner and ultimate customer (through the sub-contract with Bon Accord Support Services Limited) is facing material budgetary savings targets. Bon Accord Care Limited will take responsibility in addressing these financial challenges whilst maintaining activity and the highest levels of quality care possible within its financial limitations.

The management team have contingent planning in place for a reduction in available funds for adult social care over the next 3 years. We cannot be certain what the limitations on our contracted sum will be as public sector funding levels are set annually by the Scottish Government however we are planning on a prudent basis. Work is already underway to review all aspects of how we operate and manage the business to develop suitable plans that will deal with our business targets in the timescales required. The Directors are confident that the company will achieve all that is asked of it, indeed the company is currently on target to meet its savings obligations in 2017/18.

Bon Accord Support Services Limited's service contract with its main customer Aberdeen City Council ends in July 2018, however there is a clear commitment from both Aberdeen City Council and the Aberdeen City Health and Social Care Partnership to renew the contract in substantial form beyond 2018 for a period of at least 3 years. The Board is now in constructive discussion with the Aberdeen City Health & Social Care Partnership to set out a mutually agreeable contracted relationship beyond the current arrangement.

1. ACCOUNTING POLICIES – continued

Given the deficit position of Bon Accord Support Services Limited, the pension liability noted within the Bon Accord Care Limited accounts and the anticipated contractual austerity the company has sought written assurance from Bon Accord Care Limited's sole shareholder, Aberdeen City Council, for its on-going financial support of the company. Aberdeen City Council has formally confirmed its commitment to ensuring that the company can meet all external creditors falling legally due until at least 30 September 2018.

Having obtained the agreement of Aberdeen City Council to continue to support the company in these circumstances and recognising the clear intention of our customer to extend the contractual arrangement beyond 2018 the Directors are satisfied that it is appropriate to prepare the accounts on a going concern basis.

Turnover

Turnover represents net invoiced sales of services, excluding value added tax and is recognised when the company has earned the rights to consideration, in line with when the services are provided.

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with 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.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method 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.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1. ACCOUNTING POLICIES – continued

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities, including trade and other payables and loans from fellow group companies 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.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

Corporation Tax

Bon Accord Care Limited has been set up to exclusively provide Aberdeen City Council funded adult care services. The care provided does not involve a profit motive rather the aim is to maximise the amount of care within the contracted sum awarded. As such Corporation Tax is unlikely to be levied upon the trading activities of the company for the foreseeable future however, unearned income such as interest receivable on bank deposits can be subject to Corporation Tax.

Pension Costs and other Post-Retirement Benefits

The company offers staff membership of a defined benefit pension scheme, the North East Scotland Pension Fund, a Local Government Pension Scheme that provides benefits based upon members average career salary. Contributions payable to the company's pension scheme are charged to the profit and loss account in the period to which they relate. The expected cost to the company of pensions is charged to the profit and loss account so as to spread the cost of pensions over the service lives of the employees.

In accordance with FRS 102 the operating and financing costs of pension and post retirement schemes (determined by a qualified actuary) are recognised separately in the profit and loss account. Service costs are systematically spread over the service lives of the employees and financing costs are recognised in the period in which they arise.

The difference between the actual and expected returns on assets during the year, including changes in actuarial assumptions, are recognised as assets or liabilities within the company Balance Sheet.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

**NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 MARCH 2017**

2. JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The following judgements or estimation uncertainties have a significant effect of the amounts recognised in the financial statements:

Defined benefit pension deficit

The NESPF scheme is accounted for as a defined benefit pension scheme using actuarial assumptions. These assumptions involve significant judgements and are based on the advice of the scheme's actuaries. Details of the assumptions are contained in note 11.

Going concern

The directors' judgement to continue preparing accounts on the going concern basis is explained in note 1. The accounts do not include any adjustments that may arise if the going concern basis was not used.

3. TURNOVER

The directors believe that the company has one class of business, which is the provision of elderly care, occupational therapy and development services to the people of Aberdeen. Turnover consists of revenue originated and delivered in the United Kingdom.

4. STAFF COSTS

	2017	2016
	£'000	£'000
Wages and salaries	16,698	16,570
Social security costs	1,435	1,093
Other pension costs	3,598	3,897
	<u>21,731</u>	<u>21,560</u>

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

	2017	2016
Care Staff	<u>813</u>	<u>805</u>
	<u>813</u>	<u>805</u>

Each of the directors who served during the current and prior year were remunerated by other group companies. The directors do not consider it practical to meaningfully estimate the proportion of their remuneration that related to their services as directors of the company.

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 MARCH 2017

5. OPERATING LOSS

The operating loss is stated after charging:

	2017 £'000	2016 £'000
Auditor's remuneration	<u>7</u>	<u>6</u>

6. TAX ON PROFIT ORDINARY ACTIVITIES

The tax charge is based on the profit for the year and represents:

	2017 £'000	2016 £'000
UK corporation tax	-	-
Adjustments in respect of previous periods	<u>-</u>	<u>-</u>
Tax on results of ordinary activities	<u>-</u>	<u>-</u>

The tax assessed for the year differs from the standard rate of corporation tax in the United Kingdom as follows:

Loss on ordinary activities before tax	<u>(1,486)</u>	<u>(1,800)</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax the UK at 20% (2016: 20%)	(297)	(360)
Group relief claimed	-	(4)
Pension liability adjustment	186	611
Deferred tax asset not recognised	3	(430)
Effect of changes in tax rates and laws	<u>108</u>	<u>183</u>
Tax on results of ordinary activities	<u>-</u>	<u>-</u>
Tax change per the accounts	<u>-</u>	<u>-</u>

Reductions in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013 and further reduction to 19% (effective from 1 April 2017) and 18% (effective 1 April 2020) were substantively enacted on 16 November 2015.

BON ACCORD CARE LIMITED (SC416826)

**NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 MARCH 2017**

7. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £'000	2016 £'000
Amounts due from group undertakings	143	290
Other debtors	<u>1</u>	<u>11</u>
	<u>144</u>	<u>301</u>

Intercompany balances are interest free.

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £'000	2016 £'000
Amounts owed to group undertakings	10	1
Social security and other taxes	328	303
Other creditors	331	288
Accruals	<u>287</u>	<u>266</u>
	<u>956</u>	<u>858</u>

Included in other creditors are pension contributions of £265,885 (2016 – £268,462).

Intercompany balances are interest free.

9. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2017 £'000	2016 £'000
100	Ordinary	100p	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 MARCH 2017

10. RESERVES

The profit and loss account reserve represents cumulative realisable losses.

11. EMPLOYEE BENEFIT OBLIGATIONS

The company operates a defined benefit pension scheme. Certain employees of the company are members of North East of Scotland Pension fund. Contributions in the year relating to those employees amounted to £2,449,000 (2015/16 - £2,451,000). In the year to 31 March 2017 the employer contribution rate was 17.3% (2015/16 – 17.3%).

The fund is reviewed every three years by a professionally qualified independent actuary using the projected unit credit actuarial cost method, the rates of contribution payable being determined by the directors on the advice of the actuaries. In the intervening years the actuaries will review the progress of the scheme and prepare an interim valuation for the purposes of reporting under FRS 102. The last actuarial valuation was carried out at 31 March 2015. The value of the fund at 31 March 2017 was as follows.

	Defined benefit pension plans	
	2017 £'000	2016 £'000
Present value of funded benefit obligation	76,157	62,226
Fair value of plan assets	<u>(66,636)</u>	<u>(53,261)</u>
Deficit	<u>(9,521)</u>	<u>(8,965)</u>

A deferred tax asset has not been recognised in respect of the above deficit on the basis that there is insufficient certainty over the availability of future taxable profits.

The amounts recognised in profit or loss are as follows:

	Defined benefit pension plans	
	2017 £'000	2016 £'000
Current service cost	3,602	3,897
Interest on pension liabilities	278	297
Administration expenses	<u>57</u>	<u>57</u>
Deficit	<u>3,937</u>	<u>4,251</u>

BON ACCORD CARE LIMITED (SC416826)**NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 MARCH 2017****11. EMPLOYEE BENEFIT OBLIGATIONS continued**

Changes in the present value of the defined benefit obligations are as follows:

	Defined benefit pension plans	
	2017	2016
	£'000	£'000
Opening defined benefit obligation	62,226	60,088)
Current service cost	3,602	3,897)
Interest on pension liabilities	2,237	1,983)
Member contributions	818	820)
Loss / (Gains) on assumptions	8,205	(3,718)
Benefits/transfers paid	(931)	(844)
	<u>76,157</u>	<u>62,226</u>

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

	Defined benefit pension plans	
	2017	2016
	£'000	£'000
Opening fair value of scheme assets	53,261	49,869
Interest on plan assets	1,959	1,686
Remeasurements	9,137	(664)
Administration expenses	(57)	(57)
Employer contributions	2,449	2,451
Member contributions	818	820
Benefits/transfers paid	(931)	(844)
	<u>66,636</u>	<u>53,261</u>

The amounts recognised in the statement of comprehensive income are as follows:

	Defined benefit pension plans	
	2017	2016
	£'000	£'000
Actuarial gains	<u>(932)</u>	<u>(3,054)</u>
Cumulative amount of actuarial gains	<u>(932)</u>	<u>(3,054)</u>

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 MARCH 2017

11. EMPLOYEE BENEFIT OBLIGATIONS continued

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	Defined benefit pension plans	
	2017	2016
Equities	68.0%	77.4%
Government bonds	11.1%	10.9%
Other bonds	1.6%	2.4%
Property	7.0%	8.5%
Cash/liquidity	1.5%	0.8%
Other	10.8%	-
	100.0%	100.0%

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

	2017	2016
Discount rate	2.6%	3.6%
Future salary increases	3.2%	3.5%
Future pension increases	2.2%	2.0%
Rate of CPI inflation	2.2%	2.0%
Life expectancy	Males	Males
Current pensioners	21.9 years	22.2 years
Future pensioners	23.5 years	24.4 years
	Females	Females
Current pensioners	24.1 years	24.8 years
Future pensioners	26.3 years	27.6 years

12. RELATED PARTY DISCLOSURES

During the current and previous year, the company was controlled by Aberdeen City Council.

The company is a wholly owned subsidiary of Aberdeen City Council. The results of the company are included within the consolidated account of Aberdeen City Council. The company has taken advantage of section 33 of FRS 102 which allows exemption from disclosure of related party transactions with other group companies.

BON ACCORD CARE LIMITED (SC416826)

**NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 MARCH 2017**

13. ULTIMATE PARENT COMPANY

The company is a wholly owned subsidiary of Aberdeen City Council, a local authority organisation operating in Scotland. Copies of the audited accounts can be obtained from Aberdeen City Council, Marischal College, Broad Street, Aberdeen or online at www.aberdeencity.gov.uk