

Company registration number: 4320853 (England and Wales)

INGEUS UK LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020



INGEUS UK LIMITED**COMPANY INFORMATION**

Company registration number	4320853 (England and Wales)
Company name	Ingeus UK Limited
The board of directors	GH Meyerowitz J Sawyer F Woodbridge (appointed 11 August 2020)
Company secretary	C Raffinetti
Registered office	Fifth Floor 18 Mansell Street London E1 8AA
Business address	Fifth Floor 18 Mansell Street London E1 8AA
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors One Chamberlain Square Birmingham B3 3AX
Business bankers	Lloyds TSB Bank PLC 25 Gresham Street London EC2V 7HN

INGEUS UK LIMITED**CONTENTS PAGE**

	Page(s)
Strategic report	2 to 6
Directors' report	7 to 9
Independent auditors' report to the members of Ingeus UK Limited	10 to 11
Consolidated Statement of Comprehensive Income	12
Consolidated Statement of Financial Position	13
Company Statement of Financial Position	14
Consolidated Statement of Changes in Equity	15
Company Statement of Changes in Equity	16
Consolidated Statement of Cash Flows	17
Company Statement of Cash Flows	18
Notes to the financial statements	19 to 55

INGEUS UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2020

The directors present their annual report and the audited consolidated financial statements of the Group for the year ended 30 June 2020.

Principal activities

The Company (Ingeus UK Limited) is a limited company which is incorporated and domiciled in the UK. The Group consists of the following entities: Ingeus UK Limited, The Reducing Reoffending Partnership Limited, The Staffordshire and West Midlands Community Rehabilitation Company Limited ("SWM"), The Derbyshire, Leicestershire, Nottinghamshire and Rutland Community Rehabilitation Company Limited ("DLNR"), ITL Training Limited and Invisage Limited, Ingeus Scotland Limited, and Ability Insight Limited.

The principal activity of the Group is that of the provision of integrated programs and services for Government which are focused on Human Services.

Review and results of operations

During the year the Group saw revenue increasing by 104.7% from the previous year to £95.8 million (period ended 30 June 2019: £46.8 million). The Group made a loss in the year amounting to £13.0 million (period ended 30 June 2019: loss of £25.1 million). Net liabilities increased by 86.3% to £28.1 million during the year (30 June 2019: £15.1 million net liabilities). These are the key performance indicators for the Company.

Business review

Ingeus UK operates across 4 key divisions: Employability, Health, Justice and Youth Services. Ingeus' services help people to fulfil their potential. Be that through helping those at risk of Type 2 Diabetes to gain the knowledge and skills to live healthier lives; through National Citizen Service where young people build their confidence and self-belief through new experiences and unique challenges; or Ingeus' delivery of Probation Services through its Reducing Reoffending Partnership. Finally, through its employment services, Ingeus supports long-term unemployed people to find suitable, lasting work. Ingeus is proud to have helped over 200,000 people on this journey since 2002.

Employability

Ingeus' main employment programmes are delivering the Work and Health Programme (WHP) in the North West, Greater Manchester and Central London. The WHP provides greater focus on individuals out of work due to health-related issues. Ingeus also delivers the Steps to Success Programme in Northern Ireland. Ingeus' other prime contract is Access to Work Mental Health Support. Other smaller employability contracts include two WHP subcontracts in Central and NE England, Derbyshire IAPT working with the NHS, ETE providing support to our RRP probation contract and also Health Care Practitioner DWP prime contract.

Health

Ingeus is a major provider of the NHS' National Diabetes Prevention Programme ("NDPP") with contracts across England. This programme is focused on supporting patients at high risk of developing Type 2 Diabetes to avoid developing the disease through structured education programmes. The programme has been very successful with clinically significant weight loss and improvement in blood test results showing a high proportion of individuals have moved out of at-risk groups. Ingeus leads an innovative partnership with the Leicester Diabetes Centre and Changing Health (a digital health provider) to deliver NDPP.

Youth Services

Ingeus is one of the largest providers of the Government's National Citizen Service ("NCS") with contracts in the East Midlands, South East, North East and West Midlands, providing social and personal development programmes for young people, including team building activities and projects that support their local communities.

Justice

The Reducing Reoffending Partnership ("RRP") delivers Transforming Rehabilitation ("TR") on behalf of the Ministry of Justice ("MoJ"). This is a programme of reform for the management of low to medium risk offenders in the community, the primary aim of which is to achieve a reduction in reoffending. RRP utilises the expertise of its 1,000+ advisors to provide personalised support to offenders across

INGEUS UK LIMITED

STRATEGIC REPORT (Continued) FOR THE YEAR ENDED 30 JUNE 2020

Business Review (continued)

Justice (continued)

employment, health and social care, from as early as possible in sentencing, dedicated case managers and a focus on employment, housing and welfare, in both prisons and the community. RRP is the fourth largest operator by contract number, having secured two Community Rehabilitation Companies ("CRCs") in a highly competitive tendering process (Staffordshire and West Midlands and the Derbyshire, Leicestershire, Nottinghamshire and Rutland). The partnership supports over 20,000 service users at any one time across these two areas.

In January 2020, two of the Group's subsidiaries, The Derbyshire, Leicestershire, Nottinghamshire and Rutland Community Rehabilitation Company Limited ("DLNR") and The Staffordshire and West Midlands Community Rehabilitation Company Limited ("SWM"), signed a variation with the MoJ which amended the contract years by changing the termination date to 25 June 2021. The MoJ has opted to extend the Agreements from 5 December 2020 to 25 June 2021 (the exit year). During the exit year, a new commercial model will apply.

Directors duties

The Directors of the Company must act in accordance with a set of general duties. These duties are detailed in section 172 of the Companies Act 2006. The following paragraphs summarise how the Directors fulfil their duties.

Risk Management

The Directors identify, evaluate, manage, and mitigate the risks the Group faces and continue to evolve their approach to risk management. For details of the principal risks and uncertainties and how the Group manages its risk environment, refer below.

People

The Directors are committed to be a responsible business. The behaviour is aligned with the expectations of the people, customers, shareholders, communities and society. For the Group to succeed they need to manage their people's performance and develop and bring through talent while ensuring the Group operates as efficiently as possible.

Business relationships

The Directors prioritise sustainable growth by continuing to provide exceptional service under its current contracts and taking advantage of new opportunities that are presented. The Directors value all the Group's suppliers.

Community and environment

The Group's approach is to create positive change for the people and communities with which the Group interacts. The Directors want to leverage their expertise and enable colleagues to support the communities around the Group.

Shareholders

The Directors are committed to openly engaging with the shareholders. It is important to the Directors that shareholders understand the strategy and objectives of the Group, so these must be explained clearly, feedback heard, and any issues/questions raised properly considered.

Principal risks and uncertainties

The management of the business and the Group's strategy is subject to several risks. Risks are reviewed by the Directors and appropriate processes put in place to monitor and mitigate them.

The key business risks affecting the Group are set out below:

Economic conditions and government policy

The UK's membership of the European Union ("EU") formally ended on 31 January 2020 and it immediately entered into a transition period which ended on 31 December 2020. During this period, the UK continued to follow all the EU's rules and its trading relationship remained the same.

INGEUS UK LIMITED

STRATEGIC REPORT (Continued) FOR THE YEAR ENDED 30 JUNE 2020

Principal risks and uncertainties (continued)

Economic conditions and government policy (continued)

Post 31 December 2020 there may be a period of economic uncertainty. However, management believes the direct impact on the Group will be limited.

Furthermore, the current situation regarding the COVID-19 outbreak continues to evolve. While downside scenarios relating to the length and severity of the COVID-19 outbreak are considered plausible, it is difficult to predict the overall impact of the COVID-19 outbreak on the economic environment. However, all Government supported packages announced to date are positive from the Group's perspective.

Relationships with government departments

The Group's primary customers are governmental departments and other prime contractors to government departments, both central and devolved. As with other entities with a high degree of concentration in its customer base it is vital for the Group to maintain good relationships with these customers to ensure the profitable renewal of contracts where permissible. Governmental departments can be subject to political influences and their policies and priorities can change, sometimes at short notice. This can materially affect the nature and quantum of services commissioned. When contracts are varied by the customer, while the Group does all it can to protect its contractual rights, the Group's options can be constrained due to the position of the customer.

Credit risks

The Group's principal financial assets relate to amounts owed by other Group companies as well as trade debtors and accrued income. The amounts presented in the Statement of Financial Position are net of allowances for doubtful debts.

Credit risk is low as debtors are generally government departments or government agencies.

Liquidity

The Group's policy has been to ensure continuity of funding through the effective operation and performance of the treasury function.

Employees

The Group's performance depends largely on the quality and commitment of its staff and its ability to attract and retain the best talent.

The Group policy is to actively provide equal opportunities for employment and recruits and promotes employees on the basis of their qualifications, skills, values and aptitude. The Group keeps employees informed about the latest news, activities and best practices through the Group intranet.

The Group encourages the involvement of employees in the Group's performance through an employee reward scheme, and also achieves a common awareness of all employees in relation to the financial and economic factors that affect the performance of the Group.

In relation to disabilities, it seeks to employ the most talented people and thus has procedures in place to ensure that individuals with disabilities are supported in reaching their full potential by making reasonable adjustments for them in the workplace.

Sub-contractors and payment of creditors

The business uses multiple sub-contractors to assist in its provision of its programmes. The Group's performance is dependent on the results of these sub-contractors, which are actively managed by the relevant business divisions.

Group Policy for all suppliers is to fix terms of payment when agreeing the terms of each business transaction, to ensure the supplier is aware of those terms, and to ensure all abide by the agreed terms of payment.

INGEUS UK LIMITED

STRATEGIC REPORT (Continued) FOR THE YEAR ENDED 30 JUNE 2020

KPIs

Comprehensive KPIs are used within the business to manage the performance of the whole business, management and staff. The key financial KPIs relate to revenue and net assets. The non-financial KPIs relate to operational performance indicators such as referral to programmes, attachments, and key programme outcomes such as employment commencement or achievement of qualifications.

Financial risk management

Capital management

The objective of the Group's capital management is to ensure that it maintains strong credit ratings and capital ratios. This will ensure that the business is correctly supported and shareholder value is maximised. The Group manages its capital structure through adjustments that are dependent on economic conditions. In order to maintain or adjust the capital structure, the Group may choose to issue new share capital to shareholders.

Interest rate risk

The Group finances its operations through retained profits and advances from other group undertakings as necessary. The Group has limited risk to interest rate fluctuations.

Liquidity risk

Management monitors the Group's liquidity and projected cash flows. The Group's liquidity management policy involves projecting cash flows in Pounds Sterling and considering the level of liquid assets necessary to meet these and monitoring the Statement of Financial Position's liquidity ratios.

Employee engagement statement

The directors are executive directors and engage with the employees of the Group through monthly review of operating results and day to day operations. Each financial year, the employees are invited to participate in the global engagement survey and the results of the survey are communicated to the board and discussed with senior management. During the year the directors have taken steps to:

- Provide employees with information on matters of concern to them as employees;
- Consult employees or their representatives on a regular basis so that the views of employees can be considered in making decisions which are likely to affect their interests; and
- Achieve a common awareness on the part of all employees of the financial and economic factors affecting the performance of the Group.

Our policies and procedures fully support our disabled colleagues. We take active measures to do so via a robust reasonable adjustment policy; disability-specific online resources; and processes to ensure colleagues are fully supported. The Group is responsive to the needs of its employees. As such, should any employee of the Group become disabled during their time with us, we will actively retrain that employee and make reasonable adjustments to their working environment where possible, in order to keep the employee with the Group. It is the policy of the Group that the recruitment, training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Environment

During the year covered by this report the Group has not incurred any fines or penalties or has been investigated for any breach of environmental regulations.

Equal opportunities

The Group published its data in April 2018 in relation to the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.

This report showed that the Group's median gender pay gap of 8% is much lower than the national average of 17.3%. The Group continues to focus on building the right environment and support for women to have successful careers at Ingeus, particularly at senior levels.


INGEUS UK LIMITED

**STRATEGIC REPORT (Continued)
FOR THE YEAR ENDED 30 JUNE 2020**

Future developments

The Group continues to seek and present investment proposals, that if implemented could lead to growth of shareholder wealth.

On behalf of the board


.....
GH Meyerowitz
Director
9 April 2021

INGEUS UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2020

The directors present their annual report and the audited consolidated financial statements of the Group for the year ended 30 June 2020.

Results and dividends

The results for the year are set out on page 12.

Ingeus UK Limited did not declare or pay any dividends in the year (30 June 2019: Nil).

Directors

The following directors held office during the year ended 30 June 2020 and up to the signing of these financial statements, unless otherwise stated:

GH Meyerowitz

J Sawyer

F Woodbridge (appointed 11 August 2020)

Future developments

The Group continues to seek and present investment proposals, that if implemented could lead to growth of shareholder wealth.

The Directors are conscious when writing this report and preparing the financial statements of the significant impact the COVID-19 is having on the world economy. The Directors do not expect COVID-19 to have a significant impact on the Group.

Financial risk management

Refer to the strategic report.

Going concern

The financial statements have been prepared on the going concern basis, notwithstanding the loss in the year of £13.0 million (2019: £25.1 million), net current liabilities of £27.4 million (2019: £16.7 million) and net liabilities of £28.1 million (2019: £15.1 million), for the reasons set out below.

The Company and the Group are reliant on funds provided to them by their ultimate Parent Company, APM Human Services International Pty Ltd ("APMHSI") which has indicated that it will continue to provide financial and other support to the extent necessary to enable the Group to continue to trade and meet its financial obligations for the foreseeable future and for at least twelve months from the date of signature of the audit report for the financial statements for the year ended 30 June 2020.

In assessing the ability of APMHSI to provide this ongoing financial support, the future impact on APMHSI of the recent COVID-19 outbreak has also been considered. The directors of APMHSI have performed sensitivity analyses on their Board approved forecasts to assess the potential impact of different scenarios. Based on various sensitivity analyses over the going concern assessment year of the potential impact of the COVID-19 in terms of revenue and the positive global government supported packages relevant to APMHSI's businesses that have been announced, APMHSI would remain cash generative such that it will have the financial capacity to support the Company and the Group so that they can meet their liabilities as and when they fall due for payment.

Since the balance date and the date of approval of these financial statements, Serendipity (WA) Pty Limited has advanced £7.7 million to Ingeus Europe Limited. Ingeus Europe Limited has passed on this funding to the Company and the Group.

After due consideration of the matters set out above, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Statement as to disclosure of information to auditor

In so far as each of the directors holding office at the date of this report is aware:

- there is no relevant audit information of which the Company's and Group's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

INGEUS UK LIMITED

DIRECTORS' REPORT (Continued) FOR THE YEAR ENDED 30 JUNE 2020

Statement of directors' responsibilities in respect of the Financial Statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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.

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.

Events after the reporting date

On 1 March 2021, the Company issued 5,691,129 ordinary shares of £1 each in settlement of debts totalling £5,691,129 owing to its immediate parent entity Ingeus Europe Limited.

In addition, on 1 March 2021, Ingeus Europe Limited subscribed for 29,000,000 ordinary shares of £1 each in the Company for a total of £29,000,000.

On the assumption that the above transactions had occurred on 30 June 2020, the impact on the Group's and the Company's Statement of Financial Position would have been as follows:

	30 June 2020 balance £'000	Subsequent event £'000	Proforma balance £'000
Consolidated			
(Net liabilities)/net assets	(28,098)	34,691	6,593
Shareholders' (deficit)/equity	(28,098)	34,691	6,593
Company			
(Net liabilities)/net assets	(21,299)	34,691	13,392
Shareholders' (deficit)/equity	(21,299)	34,691	13,392

From a Group and Company perspective the net liabilities would have reduced from £28,098 million and £21,299 million respectively to a net asset position of £6,593 million and £13,392 million, respectively.

In addition, subsequent to year end, the Group acquired 100% of CNLR Horizons Limited whose principal activity is to provide employee assistance programme services.

Directors' indemnities

The Directors have the benefit of a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006 which was in force throughout the last financial year and is currently in force.

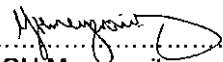
INGEUS UK LIMITED

**DIRECTORS' REPORT (Continued)
FOR THE YEAR ENDED 30 JUNE 2020**

Independent auditors

Under section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been reappointed as auditors after these financial statements were sent to members, or after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

On behalf of the board


.....
GH Meyerowitz
Director
9 April 2021

Independent auditors' report to the members of Ingeus UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Ingeus UK Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 30 June 2020 and of the group's loss and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the Consolidated and company statements of financial position as at 30 June 2020; the Consolidated statement of comprehensive income, the Consolidated and company statements of cash flows, and the Consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which 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 and 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Independent auditors' report to the members of Ingeus UK Limited

Report on the audit of the financial statements

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Matthew Walker (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
13 April 2021

INGEUS UK LIMITED
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020**

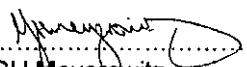
	Note	Year ended 30 Jun 2020 £'000	Six months ended 30 Jun 2019 £'000
Revenue	3	95,815	46,811
Cost of sales		<u>(72,776)</u>	<u>(32,262)</u>
Gross profit		23,039	14,549
Administrative expenses		(24,577)	(26,562)
Net impairment losses on financial and contract assets	5	(11,227)	(11,290)
Other income	4	<u>336</u>	<u>-</u>
Operating loss	5	(12,429)	(23,303)
Finance income	6	24	12
Finance costs	7	<u>(611)</u>	<u>(436)</u>
Loss before taxation		(13,016)	(23,727)
Income tax expense	8	<u>-</u>	<u>(1,415)</u>
Loss for the year/period		(13,016)	(25,142)
Other comprehensive (expense)/income, net of tax			
<i>Items that may be reclassified to profit or loss</i>			
Re-measurement of pension liability	20	(19,259)	(18,251)
Re-measurement of pension asset and reimbursement asset	20	<u>19,259</u>	<u>18,251</u>
Total comprehensive loss net of tax for the year/period		<u>(13,016)</u>	<u>(25,142)</u>
(Loss)/profit for the year attributable to:			
Owners of the parent		(12,915)	(25,164)
Non-controlling interest		<u>(101)</u>	<u>22</u>
		<u>(13,016)</u>	<u>(25,142)</u>

The notes on pages 19 to 55 are an integral part of the consolidated financial statements.

INGEUS UK LIMITED
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020**

	Note	As at 30 Jun 2020 £'000	As at 30 Jun 2019 £'000
ASSETS			
Non-current assets			
Intangible assets	10	138	368
Property, plant and equipment	11	8,030	13,068
Pension re-imbursement asset	20	86,349	63,249
Other receivables	13	106	595
Total non-current assets		94,623	77,280
Current assets			
Trade and other receivables	15	23,566	27,298
Cash and cash equivalents	16	1,497	3,446
Corporation tax		-	-
Total current assets		25,063	30,744
LIABILITIES			
Current liabilities			
Trade and other payables	17	47,744	41,571
Lease liability	19	3,194	3,312
Provisions	21	1,526	2,571
Total current liabilities		52,464	47,454
Net current liabilities		(27,401)	(16,710)
Non-current liabilities			
Trade and other payables	18	3,063	3,543
Lease liability	19	3,384	6,036
Provisions	21	2,524	2,824
Pension liability	20	86,349	63,249
Total non-current liabilities		95,320	75,652
NET LIABILITIES		(28,098)	(15,082)
SHAREHOLDER'S EQUITY			
Share capital	22	-	-
Reserves	26	3,735	5,114
Accumulated losses		(31,833)	(18,918)
Equity attributable to owners of the parent		(28,098)	(13,804)
Non-controlling interest		-	(1,278)
TOTAL DEFICIT		(28,098)	(15,082)

The financial statements on pages 12 to 55 were approved by the board of directors on 9 April 2021 and signed on its behalf by:


GH Meyerowitz
Director

The notes on pages 19 to 55 are an integral part of the consolidated financial statements.

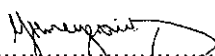
Company registration number: 4320853

INGEUS UK LIMITED

**COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020**

	Note	As at 30 Jun 2020 £'000	As at 30 Jun 2019 £'000
ASSETS			
Non-current assets			
Intangible assets	10	-	28
Property, plant and equipment	11	3,768	5,429
Other receivables	13	-	594
Investments	14	-	-
Total non-current assets		<u>3,768</u>	<u>6,051</u>
Current assets			
Trade and other receivables	15	17,181	21,266
Cash and cash equivalents	16	401	1,094
Total current assets		<u>17,582</u>	<u>22,360</u>
LIABILITIES			
Current liabilities			
Trade and other payables	17	37,346	29,929
Lease liability	19	1,610	1,846
Provisions	21	1,222	2,156
Total current liabilities		<u>40,178</u>	<u>33,931</u>
Net current liabilities		<u>(22,596)</u>	<u>(11,571)</u>
Non-current liabilities			
Trade and other payables	18	-	129
Lease liability	19	2,045	3,110
Provisions	21	426	1,115
Total non-current liabilities		<u>2,471</u>	<u>4,354</u>
NET LIABILITIES		<u>(21,299)</u>	<u>(9,874)</u>
SHAREHOLDER'S EQUITY			
Share capital	22	-	-
Reserves	26	5,114	5,114
Accumulated losses		<u>(26,413)</u>	<u>(14,988)</u>
TOTAL DEFICIT		<u>(21,299)</u>	<u>(9,874)</u>

The financial statements on pages 12 to 55 were approved by the board of directors on 9 April 2021 and signed on its behalf by:


 GH Meyerowitz
 Director

The notes on pages 19 to 55 are an integral part of the consolidated financial statements.

Company registration number: 4320853

INGEUS UK LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020**

	Share capital £'000	Reserves £'000	Accumulated losses £'000	Total £'000	Non- controlling interest £'000	Total deficit £'000
Balance at 1 July 2019	-	5,114	(18,918)	(13,804)	(1,278)	(15,082)
Loss for the year	-	-	(12,915)	(12,915)	(101)	(13,016)
Total comprehensive loss	-	-	(12,915)	(12,915)	(101)	(13,016)
Transactions with owners in their capacity as owners:						
Acquisition of minority interest in a controlled entity	-	(1,379)	-	(1,379)	1,379	-
Balance at 30 June 2020	-	3,735	(31,833)	(28,098)	-	(28,098)

	Share capital £'000	Reserves £'000	Retained profits/ (Accumulated losses) £'000	Total £'000	Non- controlling interest £'000	Total (deficit)/ equity £'000
Balance at 1 January 2019 restated	-	5,114	6,246	11,360	(1,300)	10,060
Loss for the period	-	-	(25,164)	(25,164)	22	(25,142)
Total comprehensive loss	-	-	(25,164)	(25,164)	22	(25,142)
Balance at 30 June 2019	-	5,114	(18,918)	(13,804)	(1,278)	(15,082)

The notes on pages 19 to 55 are an integral part of the consolidated financial statements.

INGEUS UK LIMITED**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020**

	Share capital £'000	Reserves £'000	Accumulated losses £'000	Total deficit £'000
Balance at 1 July 2019	-	5,114	(14,988)	(9,874)
Loss for the year	-	-	(11,425)	(11,425)
Total comprehensive loss	-	-	(11,425)	(11,425)
Balance at 30 June 2020	-	5,114	(26,413)	(21,299)

	Share capital £'000	Reserves £'000	Retained profits/ (accumulated losses) £'000	Total equity/(deficit) £'000
Balance at 1 January 2019 restated	-	5,114	5,469	10,583
Loss for the period	-	-	(20,457)	(20,457)
Total comprehensive loss	-	-	(20,457)	(20,457)
Balance at 30 June 2019	-	5,114	(14,988)	(9,874)

The notes on pages 19 to 55 are an integral part of the consolidated financial statements.

INGEUS UK LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020**

	Note	Year ended 30 Jun 2020 £'000	Six months ended 30 Jun 2019 £'000
Cash flows from operating activities			
Loss for the year/period		(13,016)	(25,142)
Income tax (credit)/expense	8	-	1,415
Depreciation	5	5,852	3,667
Amortisation	5	253	253
Impairment of intercompany receivables	5	11,296	11,222
Impairment of property, plant & equipment	5	-	538
Finance income	6	(24)	(12)
Finance cost	7	611	436
Loss on disposal of property, plant and equipment	5	146	241
Loss on disposal of intangible assets	5	23	-
Decrease in trade and other receivables		9,901	4,253
Increase in trade and other payables		5,693	16,190
(Decrease)/increase in provisions		(1,431)	1,939
Cash generated from operations		19,304	15,000
Tax received		-	-
Net cash generated from operating activities		19,304	15,000
Cash flows from investing activities			
Purchase of property, plant and equipment		(563)	(698)
Purchase of intangible assets	10	(46)	(195)
Finance income	6	24	12
Net cash utilised by investing activities		(585)	(881)
Cash flows from financing activities			
Loans provided to group undertakings		(23,034)	-
Loan repayments from group undertakings		6,058	
Loan repayments to group undertakings			(14,290)
Payment of principal on lease liabilities		(3,167)	(1,640)
Payment of interest on lease liabilities	7	(525)	(330)
Net cash utilised by financing activities		(20,668)	(16,260)
Net decrease in cash and cash equivalents		(1,949)	(2,141)
Cash and cash equivalents at the beginning of the year/period		3,446	5,587
Cash and cash equivalents at 30 June		1,497	3,446

The notes on pages 19 to 55 are an integral part of the consolidated financial statements.

INGEUS UK LIMITED

COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	Year ended 30 Jun 2020 £'000	Six months ended 30 Jun 2019 £'000
Cash flows from operating activities			
Loss for the year/period		(11,425)	(20,457)
Income tax expense		-	1,444
Depreciation		2,262	1,277
Amortisation		18	20
Impairment of property, plant and equipment		-	538
Impairment of intercompany balances		8,601	6,511
Net finance expense/(income)		386	(9)
Loss on disposal of property, plant and equipment		128	65
Loss on disposal of intangible assets		10	-
Decrease/(increase) in trade and other receivables		11,516	(1,159)
Increase in trade and other payables		8,416	11,088
(Decrease)/increase in provisions		(1,641)	2,100
Cash generated from operations		18,271	1,418
Tax received		-	-
Net cash generated from operating activities		18,271	1,418
Cash flows from investing activities			
Purchase of property, plant and equipment		(332)	(587)
Finance income		17	9
Net cash utilised by investing activities		(315)	(578)
Cash flows generated from financing activities			
Loans provided by group undertakings		18,881	4,050
Loans repayments to group undertakings		(20,086)	(7,754)
Loans provided to group undertakings		(21,495)	-
Loan repayments by group undertakings		6,058	-
Payment of principal on lease liabilities		(1,701)	(725)
Payment of interest on lease liabilities		(306)	(193)
Net cash utilised by financing activities		(18,649)	(4,622)
Net decrease in cash and cash equivalents		(693)	(3,782)
Cash and cash equivalents at the beginning of the year/period		1,094	4,876
Cash and cash equivalents at 30 June		401	1,094

The notes on pages 19 to 55 are an integral part of the consolidated financial statements.

INGEUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1. GENERAL INFORMATION

Ingeus UK Limited (the "Company") is a private company limited by shares which is incorporated and domiciled in the United Kingdom. The principal activity of the Group is that of the provision of integrated programs and services for Government which are focused on Human Services.

The address of its registered office is: 5th Floor, 18 Mansell Street, London, England, E1 8AA.

2. ACCOUNTING POLICIES

Significant accounting policies

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

Basis of preparation

The consolidated financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") and interpretations issued by the IFRS Interpretations Committee ("IFRS IC") and the Companies Act 2006 as applicable to companies using IFRS. The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial statements have been prepared under the historical cost convention and on a going concern basis.

Rounding of amounts

The financial statements are presented in Pounds Sterling and all values are rounded to the nearest thousand, except where otherwise stated.

Going concern

The financial statements have been prepared on the going concern basis, notwithstanding the loss in the year of £13.0 million (2019: £25.1 million), net current liabilities of £27.4 million (2019: £16.7 million) and net liabilities of £28.1 million (2019: £15.1 million), for the reasons set out below.

The Company and the Group are reliant on funds provided to them by their ultimate Parent Company, APM Human Services International Pty Ltd ("APMHSI") which has indicated that it will continue to provide financial and other support to the extent necessary to enable the Group to continue to trade and meet its financial obligations for the foreseeable future and for at least twelve months from the date of signature of the audit report for the financial statements for the year ended 30 June 2020.

In assessing the ability of APMHSI to provide this ongoing financial support, the future impact on APMHSI of the recent COVID-19 outbreak has also been considered. The directors of APMHSI have performed sensitivity analyses on their Board approved forecasts to assess the potential impact of different scenarios. Based on various sensitivity analyses over the going concern assessment year of the potential impact of the COVID-19 in terms of revenue and the positive global government supported packages relevant to APMHSI's businesses that have been announced, APMHSI would remain cash generative such that it will have the financial capacity to support the Company and the Group so that they can meet their liabilities as and when they fall due for payment.

Since the balance date and the date of approval of these financial statements, Serendipity (WA) Pty Limited has advanced £7.7 million to Ingeus Europe Limited. Ingeus Europe Limited has passed on this funding to the Company and the Group.

2. ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

Going concern (continued)

After due consideration of the matters set out above, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed.

New standards, amendments, and IFRIC interpretations

New and amended standards adopted by the Group

There are no amendments to accounting standards, or IFRIC interpretations, that are effective for the year ended 30 June 2020 that have had a material impact on the Group's financial statements. The Group has also not opted to early adopt new accounting standards that are not effective.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 reporting periods and have not been early adopted by the Group: amendments to IAS 1 and IAS 8 in respect of the definition of material – effective for periods beginning on after 1 January 2020. These standards are not expected to have a material impact on the entity in the current or future reporting periods an on foreseeable future transactions.

Revenue recognition

Revenue represents income from employment services, youth services, health services, and probation and rehabilitation services, net of value added tax and trade discounts.

Employment services

While the specific terms vary by contract, the Group often receives four types of revenue streams under contracts with government entities: referral/attachment fees, job placement/job outcome fees, sustainment fees and incentive fees (collectively, "outcome fees").

Most of the Group's contracts include a single promise to stand ready to deliver pre-defined services. The Group concluded its performance obligations comprise a series of distinct monthly services that are substantially the same and which are transferred to the customer in the same manner. Accordingly, the monthly promise to stand ready is accounted for as a single performance obligation. Substantially all the Group's contracts include variable consideration, whereby it earns revenues if certain contractually-defined outcomes occur in the future.

As the related performance obligations are satisfied, the Group recognizes revenue for those outcomes in proportion to the amount of the related fees it estimates have been earned. The amount of revenue is based upon the Group's estimate of the final amount of outcome fees to be earned. The Group evaluates probability generally using the expected value method because the likelihood it will be entitled to variable fees is binary in nature. These estimates consider i) contractual rates, ii) assumed success rates and iii) assumed participant life in program. Generally, each of these estimates is based upon historical results, although for new contracts, other factors may be considered.

At each reporting year, the Group updates its estimate of variable consideration based on actual results or other relevant information and records an adjustment to revenue based upon services performed to date.

For some of the Group's contracts, it recognises revenue as it invoices customers because the amount to which it is entitled to invoice approximates the fair value of the services transferred.

2. ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

The Group constrains its estimates of variable consideration by reducing those estimates to amounts it believes with enough confidence will not later result in a significant reversal of revenue. When determining if variable consideration should be constrained, management considers whether there are factors outside the Group's control that could result in a significant reversal of revenue. In making these assessments, the Group considers the likelihood and magnitude of a potential reversal of revenue.

Probation services

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. The directors have made estimates regarding revenue and certain other provisions based on their knowledge and estimates of the change in contract base that has occurred within the business during the year.

Revenue generated under the Transforming Rehabilitation contract with the MoJ is invoiced and recognised on a monthly basis. The initial recognition is on the basis of projected volumes agreed with the MoJ. The volumes are monitored on an ongoing basis throughout the life of the contract and revenue is adjusted accordingly based on management's view of the likelihood of any clawback or service credits likely to be retrospectively applied.

Youth Services

Sign-up payments are recognised in line with delivery. The core payment and turn-up payment and the recruitment incentive, social mix and other bonuses or potential clawbacks, revenue streams deferred and recognised over the delivery of the NCS season. For the cost element, those relating to future courses are deferred and recognised over the duration of the course.

Health

The key revenue stream is the Core Price, where the estimated revenue from each performance milestone is straight-lined over the course year. This involves estimating the conversion rate for each milestone and determining an appropriate course year over which to recognise the revenue. The course year was estimated at 10 months, by which point over 90% of the milestone payments have been achieved.

Property plant and equipment

Property, plant and equipment is stated at historic purchase cost less accumulated depreciation and any impairment. Depreciation is provided at rates calculated to write off the cost on a straight-line basis over its expected useful economic life.

The estimated useful economic life of a leasehold improvement asset is determined by the length of the property lease for that site, provided it does not exceed:

1. the length of the underlying revenue contract for that site;
2. or the asset's economic useful life.

The annual depreciation rates applicable are as follows:

Land and buildings - leasehold improvements	2 – 5 years
Office equipment and fittings	3 years
Computer equipment	3 – 5 years
Motor vehicles	5 – 7 years

2. ACCOUNTING POLICIES (continued)

Impairment of assets

At each reporting year end, the Group reviews the carrying amounts of its intangible assets to assess whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. Recoverable amount being the higher of fair value less costs to sell and value in use.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are allocated to individual CGUs, or otherwise allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

The key assumptions across the CGUs for the value in use calculations are those regarding profit forecasts, strategic benefits, risk factors and discount rates. The strategic benefits are based on new contract wins. Management has estimated the risk rate based on potential contract renewal and the discount rate reflects the Group's current market assessments of the time value of money.

Intangible Assets

Goodwill

Goodwill arising on acquisition is presented within intangible assets. Goodwill is measured at fair value less accumulated impairment losses and is reviewed annually for impairment.

Software

Externally purchased computer software licences and similar intangible items are capitalised at historical cost and amortised on a straight-line basis.

Internally developed software projects are capitalised at historical cost when there is technical feasibility of completing, intention to complete, ability to use, generation of probable future economic benefits, availability of technical, financial and other resources to complete the development of the software and it is possible to reliably measure the expenditure attributable to the asset.

Licences

Licences acquired on acquisition are initially recognised at fair value at the acquisition date. They are subsequently reported at cost less accumulated amortisation and impairment losses. They are amortised on a straight-line basis over their estimated useful lives of three years from the start of the relevant contract year.

Contracts

Contracts acquired on acquisition are initially recognised at fair value at the acquisition date. They are subsequently reported at cost less accumulated amortisation and impairment losses. They are amortised on a straight-line basis over their estimated useful lives of five years from the start of the relevant contract year.

Amortisation is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its expected useful economic life, as follows:

Computer software

3-5 years

2. ACCOUNTING POLICIES (continued)

Leases

At inception of a contract the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a year of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The contract involves the use of an identified asset, this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right then the asset is not identified;
- The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the year of use; and
- The Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
 - a. The Group has the right to use the asset; or
 - b. The Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The incremental borrowing rate applied is 6.55% (2019: 6.55%).

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an option renewal year if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

Repayments of lease liabilities are separated into a principal portion and interest portion which are both presented within financing activities in the cash flow statement.

2. ACCOUNTING POLICIES (continued)

Leases (continued)

The lease liability is measured at amortised cost using the effective interest rate method. It is remeasured where there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment.

The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the historical payment profiles of sales and the corresponding historical credit losses experienced within the year/period.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Statement of Comprehensive Income within 'Administrative expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'Administrative expenses' in the Statement of Comprehensive Income.

Financial assets

The Group classifies all its financial assets at amortised cost. The Group classifies its financial assets as at amortised cost only when the business model of the Group is to collect contractual cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest.

At initial recognition, the Group measures a financial asset at its fair value. Assets are subsequently measured at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in profit or loss when the assets are derecognised, modified or impaired. Financial assets measured at amortised cost include trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

2. ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognised as a liability when a present obligation exists in respect of a past event and where the amount can be reliably estimated. Provisions are discounted where the time value of money is considered material.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, cash in hand and short-term deposits. Short term deposits are defined as deposits with an initial maturity of three months or less.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the Statement of Financial Position date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the Statement of Comprehensive Income.

Income tax

Income tax expense represents the sum of the tax currently payable and deferred income tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance date.

Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting, nor taxable profit or loss.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the Statement of Financial Position date and are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled. Deferred tax is not discounted.

Deferred tax assets are recognised to the extent that it is probable that the future taxable profit will be available against which the temporary differences can be utilised.

Employee benefits

Pension costs

The amount charged to the Statement of Comprehensive Income represents the contributions payable by the Group to the defined contribution pension scheme.

Defined contribution pension scheme

The Group operated defined contribution plans for its employees. The Group pays a fixed contribution into a separate entity after which it has no further payment obligation. These contributions are recognised as an expense when they fall due. Amounts not paid are accrued in the Statement of Financial Position until such time when payment is made. The assets of these plans are held separately from the Group's assets within an independently administered fund.

Defined benefit scheme – Local Government Pension Scheme

Employees who transferred to SWM from the Staffordshire and West Midlands Probation Trust and to DLNR from the Derbyshire, Leicestershire, Nottinghamshire and Rutland Probation Trust were at the time enrolled in the Local Government Pension Scheme ("LGPS") and were covered by the Staff Transfer Scheme ("STS").

2. ACCOUNTING POLICIES (continued)

Employee benefits (continued)

The STS was incorporated into the contracts between SWM and DLNR (the "CRCs") and the MoJ for staff transferring from the National Probation Service into the CRCs or transferring from other eligible community rehabilitation companies and are entitled to be enrolled under the LGPS. This scheme has been closed to new employees since February 2016. The Group's share of the plan assets calculated at each triennial valuation of the Fund. Thereafter it is rolled forward to the accounting date using suitable estimates of the investment returns, contributions and benefits paid. The Group's contributions to the Fund are allocated entirely to the Group's asset share.

Eligible employees are covered by the provisions of the LGPS which is a funded defined-benefit scheme. Retirement benefits are determined independently of the investments of the scheme and employers are obliged to make additional contributions where the assets are insufficient to meet the retirement benefit. This pension scheme is subject to an independent triennial actuarial valuation to determine each employer's contributions rate. The last triennial review was conducted as at 31 March 2019. From 1st June 2014, SWM and DLNR became a member of the Greater Manchester Pension Fund ("GMPF"). The assets and liabilities relating to the former Probation Trust staff who transferred to the Group were transferred from their respective LGPS to the GMPF.

The responsibility for funding the past service liabilities and all future pension contributions for the employees who were active members of the LGPS, transferred with the employee to the new employers, namely the CRCs. The MoJ ensures that past service liabilities are 100% funded on an ongoing basis from the date employees transferred to the CRCs.

On this basis, the scheme has been accounted for as a defined benefit scheme and a liability in respect of any pension deficit has been recognised on the Statement of Financial Position. A corresponding pension reimbursement asset due from the MoJ has also been recognised. Movement in the defined benefit pension scheme liability and the reimbursement asset are recognised in the appropriate caption in the Statement of Other Comprehensive Income.

Grant income

Grant income comprises the furlough scheme payments received and have been recognised in the Statement of Comprehensive Income as other income.

Significant accounting estimates and judgements

The preparation of these financial statements requires the use of estimates and judgements that affect the carrying amounts of assets and liabilities at the date of these financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates and judgements are based on management's best knowledge of the amount, events or transactions, ultimately actual results may differ from those estimates. The key estimates and judgements used in these financial statements are set out below.

Revenue recognition

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. The directors have made estimates regarding revenue and certain other provisions based on their knowledge and estimates of the change in contract base that has occurred within the business during the year.

Where revenue from specific contracts is subject to clawback amounts by respective contracting bodies, a separate provision is accrued for.

2. ACCOUNTING POLICIES (continued)

Significant accounting estimates and judgements (continued)

Impairment excluding deferred tax assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the assets in the unit (group of units) on a pro rata basis.

Impairment losses recognised in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Employee benefits

IAS 19, Employee Benefits, requires that certain assumptions are made in order to determine the amount to be recorded for retirement benefit obligations and pension plan assets, in particular for defined benefit plans. These are mainly actuarial assumptions such as expected future salary increases, long-term increase in health care costs, average life expectancy and discount rates. Substantial changes in the assumed development of any of these variables may significantly change the Group's retirement benefit obligation and pension assets (see note 20), although this is offset by a pension reimbursement asset and therefore has no net impact on the Group's results.

Provisions:

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably. Management has made judgements on certain assumptions used to estimate the provisions.

Leases:

The accounting for leases under IFRS 16 involves making various judgements and estimates with the most signification being the assumptions management have made around determining the incremental borrowing rate (see Note 2).

INGEUS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2020****3. REVENUE**

The total revenue of the Group for the year and prior period has been derived from its principal activity wholly undertaken in the United Kingdom.

	Year ended 30 Jun 2020 £'000	Six months ended 30 Jun 2019 £'000
Employment services	23,165	13,900
Probation	48,835	27,558
Youth services	16,159	1,785
Health	7,647	3,556
Other	9	12
	<u>95,815</u>	<u>46,811</u>

Contract balances

The following table provides information about receivables and contract liabilities from contracts with customers.

	30 Jun 2020 £'000	30 Jun 2019 £'000	1 Jan 2019 £'000
Trade receivables from customers (see note 15)	1,570	3,329	2,365
Contract assets (accrued income) (see notes 13 and 15)	6,425	12,938	8,992
Contract liabilities (see notes 17 and 18)	<u>27,510</u>	<u>24,251</u>	<u>11,583</u>

Contract assets represent revenue recognised but not yet invoiced. All contract assets as at 30 June 2019 were invoiced during the year ended 30 June 2020. £6,319,000 of contract assets as at 30 June 2020 are expected to be invoiced within the following twelve months.

Contract liabilities represent the Group's obligation to transfer goods or services to customers, for which the Group has already received consideration from the customer. £24,447,000 of goods and services are expected to be provided within the following twelve months (2019: £21,524,000).

4. OTHER INCOME

	Year ended 30 Jun 2020 £'000	Six months ended 30 Jun 2019 £'000
Income from group undertakings	155	-
Grant income	<u>181</u>	<u>-</u>
Total	<u>336</u>	<u>-</u>

Income from group undertakings arises from intergroup recharges.

INGEUS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2020**

5. OPERATING LOSS

	Year ended 30 Jun 2020 £'000	Six months ended 30 Jun 2019 £'000
Operating loss is stated after charging:		
Amortisation of intangible assets	253	253
Depreciation of property, plant and equipment	2,439	1,881
Depreciation of right of use assets	3,413	1,786
Loss on disposal of property, plant and equipment	146	241
Loss on disposal of intangible assets	23	-
Room hire	1,082	534
Management charges	1,703	694
Impairment of property, plant and equipment	-	538
Net impairment losses on financial and contract assets*	11,227	11,290
Auditors' remuneration – audit	201	170
Auditors' remuneration – non-audit services	-	95

*Of the above impairment losses, a reversal of £69,000 (charge of 2019: £68,000) relate to receivables arising from contracts with customers. A charge of £11,296,000 (2019: £11,222,000) relates to an impairment of the amount owed by group undertakings.

Loss of the parent company:

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's loss after income tax for the financial year/period was £11,400,000 (2019: £20,500,000).

6. FINANCE INCOME

	Year ended 30 Jun 2020 £'000	Six months ended 30 Jun 2019 £'000
Bank interest	24	12
	<u>24</u>	<u>12</u>

7. FINANCE COSTS

	Year ended 30 Jun 2020 £'000	Six months ended 30 Jun 2019 £'000
Interest on group undertaking loans	-	106
Interest expense on lease liability	525	330
Provisions: unwinding of discount	86	-
	<u>611</u>	<u>436</u>

INGEUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2020

8. INCOME TAX

	Year ended 30 Jun 2020 £'000	Six months ended 30 Jun 2019 £'000
Current year/period tax		
UK corporation tax	-	-
Adjustments in respect of prior periods	-	41
Current tax charge	-	41
Deferred tax		
Deferred tax charge	-	1,271
Adjustments in respect of prior periods	-	236
Effect of changes in tax rate	-	(133)
Deferred tax charge	-	1,374
Income tax	-	1,415

The income tax is higher (2019: higher) than the standard rate of tax at 19.00% (2019: 19.00%).
The differences are explained below:

	Year ended 30 Jun 2020 £'000	Six months ended 30 Jun 2019 £'000
Factors affecting the income tax for the year/period		
Loss before taxation	(13,016)	(23,727)
Loss before taxation multiplied by standard corporation tax at 19.00% (2019: 19.00%)	(2,473)	(4,508)
Effects of:		
Non-deductible expenses	2,368	2,321
Non-taxable income	-	-
Adjustments for current tax of prior periods	-	41
Adjustments for deferred tax of prior periods	-	236
Effect of changes in the tax rate	-	(134)
Amounts not recognised for deferred tax purposes	67	3,354
Non-qualifying depreciation	-	44
Losses	(116)	61
Utilisation of unrecognised brought forward losses	154	-
Income tax	-	1,415

On 17 March 2020, UK Budget resolutions were passed setting the UK corporation tax rate at 19% from 1 April 2020, reversing the 17% rate enacted in Finance Act 2016. To the extent that deferred tax assets / (liabilities) have been recognised, these have been calculated based on the rate of 19% substantively enacted at balance date.

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the proposal to increase the main corporation tax rate to 25% had not been substantively enacted at the balance date, its effects are not included in these financial statements.

INGEUS UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2020**

9. EMPLOYEES

Group

Number of employees

The average monthly number of employees during the year/period was:

	Year ended 30 Jun 2020	Six months ended 30 Jun 2019
	Number	Number
Management	21	26
Operational and administration	1,697	1,812
	<u>1,718</u>	<u>1,838</u>
	Year ended 30 Jun 2020 £'000	Six months ended 30 Jun 2019 £'000
Employment costs (including directors):		
Wages and salaries	45,133	26,807
Social security costs	4,081	2,325
Restructuring	449	-
Pension contribution (defined contributions)	813	458
Pension contributions (note 20)	2,341	1,206
Pension restructuring cost (note 20)	163	354
Pension early retirement cost (note 20)	29	24
	<u>53,009</u>	<u>31,174</u>

Company

Number of employees

The average monthly number of employees during the year was:

	Year ended 30 Jun 2020	Six months ended 30 Jun 2019
	Number	Number
Management	2	4
Operational and administration	710	792
	<u>712</u>	<u>796</u>
	Year ended 30 Jun 2020 £'000	Six months ended 30 Jun 2019 £'000
Employment costs (including directors):		
Wages and salaries	19,610	12,519
Social security costs	1,735	1,044
Pension contribution (defined contributions)	589	334
	<u>21,934</u>	<u>13,897</u>

INGEUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) **FOR THE YEAR ENDED 30 JUNE 2020**

9. EMPLOYEES (continued)

J Sawyer is also a director of Ingeus Europe Limited, and his remuneration was reflected in the financial statements of that entity in 2019. No costs in respect of his services as a director of the Group were recharged to Ingeus UK Limited, but if they had been, the total cost attributable for 2020 would be nil (2019: £122,000).

GH Meyerowitz received no remuneration from Ingeus UK Limited for his services to the Group during the year (2019: nil). No costs in respect of GH Meyerowitz's services as director of Ingeus UK Limited were recharged to the Group.

10. INTANGIBLE ASSETS

Group

	Goodwill £'000	Licences £'000	Contracts £'000	Computer software licences £'000	Total £'000
Cost					
At 1 July 2019	2,316	280	1,380	5,025	9,001
Additions	-	-	-	46	46
Disposals	-	-	-	(4,411)	(4,411)
At 30 June 2020	<u>2,316</u>	<u>280</u>	<u>1,380</u>	<u>660</u>	<u>4,636</u>
Accumulated amortisation					
At 1 July 2019	2,316	280	1,380	4,657	8,633
Charge for the year	-	-	-	253	253
Disposals	-	-	-	(4,388)	(4,388)
At 30 June 2020	<u>2,316</u>	<u>280</u>	<u>1,380</u>	<u>522</u>	<u>4,498</u>
Net book value					
At 30 June 2020	<u>-</u>	<u>-</u>	<u>-</u>	<u>138</u>	<u>138</u>

	Goodwill £'000	Licences £'000	Contracts £'000	Computer software licences £'000	Total £'000
Cost					
At 1 January 2019	2,316	280	1,380	4,924	8,900
Additions	-	-	-	195	195
Disposals	-	-	-	(94)	(94)
At 30 June 2019	<u>2,316</u>	<u>280</u>	<u>1,380</u>	<u>5,025</u>	<u>9,001</u>
Accumulated amortisation					
At 1 January 2019	2,316	258	1,380	4,520	8,474
Charge for the period	-	22	-	231	253
Disposals	-	-	-	(94)	(94)
At 30 June 2019	<u>2,316</u>	<u>280</u>	<u>1,380</u>	<u>4,657</u>	<u>8,633</u>
Net book value					
At 30 June 2019	<u>-</u>	<u>-</u>	<u>-</u>	<u>368</u>	<u>368</u>

INGEUS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)**
FOR THE YEAR ENDED 30 JUNE 2020

10. INTANGIBLE ASSETS (continued)**Company****Computer software
licences
£'000****Cost**

At 1 July 2019

3,025

Disposals

(3,025)

At 30 June 2020

-**Accumulated amortisation**

At 1 July 2019

2,997

Charge for the year

18

Disposals

(3,015)

At 30 June 2020

-**Net book value**

At 30 June 2020

-**Computer software
licences
£'000****Cost**

At 1 January 2019 and 30 June 2019

3,025**Accumulated amortisation**

At 1 January 2019

2,977

Charge for the year

20

At 30 June 2019

2,997**Net book value**

At 30 June 2019

28

INGEUS UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2020**

11. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold property £'000	Office equipment and fittings £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 July 2019	14,167	7,997	5,175	1,147	28,486
Additions	396	176	388	-	960
Disposals	(2,687)	(1,365)	(2,761)	(38)	(6,851)
At 30 June 2020	11,876	6,808	2,802	1,109	22,595
Accumulated depreciation					
At 1 July 2019	6,669	3,358	4,408	983	15,418
Charge for the year	3,554	1,779	440	79	5,852
Disposals	(2,776)	(1,390)	(2,519)	(20)	(6,705)
At 30 June 2020	7,447	3,747	2,329	1,042	14,565
Net book value					
At 30 June 2020	4,429	3,061	473	67	8,030

	Leasehold property £'000	Office equipment and fittings £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 January 2019	8,875	3,948	4,697	1,201	18,721
Adjustment on transition to IFRS 16	6,224	4,377	-	-	10,601
At 1 January 2019: restated	15,099	8,325	4,697	1,201	29,322
Additions	600	127	344	17	1,088
Disposals	(926)	(214)	(11)	(53)	(1,204)
Transfer of assets	(68)	(241)	145	(18)	(182)
Impairment	(538)	-	-	-	(538)
At 30 June 2019	14,167	7,997	5,175	1,147	28,486
Accumulated depreciation					
At 1 January 2019	5,154	3,063	3,684	993	12,894
Charge for the period	2,438	1,057	139	33	3,667
Disposals	(695)	(214)	(11)	(41)	(961)
Transfer of assets	(228)	(548)	596	(2)	(182)
At 30 June 2019	6,669	3,358	4,408	983	15,418
Net book value					
At 30 June 2019	7,498	4,639	767	164	13,068

INGEUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2020

11. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Leasehold property £'000	Office equipment and fittings £'000	Computer equipment £'000	Total £'000
Cost				
At 1 July 2019	3,439	5,656	3,171	12,266
Additions	397	-	332	729
Disposals	(2,688)	(1,365)	(2,760)	(6,813)
Reclass	438	-	-	438
At 30 June 2020	<u>1,586</u>	<u>4,291</u>	<u>743</u>	<u>6,620</u>
Accumulated depreciation				
At 1 July 2019	2,403	1,884	2,550	6,837
Charge for the year	858	1,132	272	2,262
Disposals	(2,776)	(1,390)	(2,519)	(6,685)
Reclass	438	-	-	438
At 30 June 2020	<u>923</u>	<u>1,626</u>	<u>303</u>	<u>2,852</u>
Net book value				
At 30 June 2020	<u>663</u>	<u>2,665</u>	<u>440</u>	<u>3,768</u>

	Leasehold property £'000	Office equipment and fittings £'000	Computer equipment £'000	Total £'000
Cost				
At 1 January 2019	2,607	1,662	2,828	7,097
Adjustment on transition to IFRS 16	1,292	4,176	-	5,468
At 1 January 2019: restated	3,899	5,838	2,828	12,565
Additions	600	31	345	976
Disposals	(522)	(213)	(2)	(737)
Impairment	(538)	-	-	(538)
At 30 June 2019	<u>3,439</u>	<u>5,656</u>	<u>3,171</u>	<u>12,266</u>
Accumulated depreciation				
At 1 January 2019	2,223	1,551	2,457	6,231
Charge for the year	637	547	93	1,277
Disposals	(457)	(214)	-	(671)
At 30 June 2019	<u>2,403</u>	<u>1,884</u>	<u>2,550</u>	<u>6,837</u>
Net book value				
At 30 June 2019	<u>1,036</u>	<u>3,772</u>	<u>621</u>	<u>5,429</u>

INGEUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2020

11. PROPERTY, PLANT AND EQUIPMENT (continued)

Right-of-use assets:

Group

Included within property, plant and equipment are right-of-use assets, which consists of assets arising from operating lease arrangements accounted for under IFRS 16:

	Leasehold property £'000	Office equipment and fittings £'000	Total £'000
Cost			
At 1 July 2019	6,076	4,377	10,453
Additions	397	-	397
Disposals	(467)	-	(467)
At 30 June 2020	<u>6,006</u>	<u>4,377</u>	<u>10,383</u>
Accumulated depreciation			
At 1 July 2019	1,225	561	1,786
Charge for the year	2,292	1,121	3,413
Disposals	(467)	-	(467)
At 30 June 2020	<u>3,050</u>	<u>1,682</u>	<u>4,732</u>
Net book value At 30 June 2020	<u>2,956</u>	<u>2,695</u>	<u>5,651</u>

	Leasehold property £'000	Office equipment and fittings £'000	Total £'000
Cost			
At 1 January 2019	-	-	-
Opening balance adjustment	6,224	4,377	10,601
At 1 January 2019: restated	<u>6,224</u>	<u>4,377</u>	<u>10,601</u>
Additions	390	-	390
Disposals	(538)	-	(538)
At 30 June 2019	<u>6,076</u>	<u>4,377</u>	<u>10,453</u>
Accumulated depreciation			
At 1 January 2019	-	-	-
Charge for the year	1,225	561	1,786
Disposals	-	-	-
At 30 June 2019	<u>1,225</u>	<u>561</u>	<u>1,786</u>
Net book value At 30 June 2019	<u>4,851</u>	<u>3,816</u>	<u>8,667</u>

Interest expense on lease liabilities are detailed in note 7.

INGEUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2020

11. PROPERTY, PLANT AND EQUIPMENT (continued)

Right-of-use assets (continued):

Company:

Included within property, plant and equipment are right-of-use ("ROU") assets, which consists of assets arising from operating lease arrangements accounted for under IFRS 16:

	Leasehold property £'000	Office equipment and fittings £'000	Total £'000
Cost			
At 1 July 2019	1,144	4,176	5,320
Additions	397	-	397
Disposals	(467)	-	(467)
At 30 June 2020	<u>1,074</u>	<u>4,176</u>	<u>5,250</u>
Accumulated depreciation			
At 1 July 2019	522	456	978
Charge for the year	754	1,044	1,798
Disposals	(467)	-	(467)
At 30 June 2020	<u>809</u>	<u>1,500</u>	<u>2,309</u>
Net book value At 30 June 2020	<u>265</u>	<u>2,676</u>	<u>2,941</u>

	Leasehold property £'000	Office equipment and fittings £'000	Total £'000
Cost			
At 1 January 2019: as previously stated	-	-	-
Opening balance adjustment	1,292	4,176	5,468
At 1 January 2019: restated	<u>1,292</u>	<u>4,176</u>	<u>5,468</u>
Additions	390	-	390
Disposals	(538)	-	(538)
At 30 June 2019	<u>1,144</u>	<u>4,176</u>	<u>5,320</u>
Accumulated depreciation			
At 1 January 2019	-	-	-
Charge for the year	522	456	978
At 30 June 2019	<u>522</u>	<u>456</u>	<u>978</u>
Net book value At 30 June 2019	<u>622</u>	<u>3,720</u>	<u>4,342</u>

INGEUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) **FOR THE YEAR ENDED 30 JUNE 2020**

12. DEFERRED TAXATION ASSET

The deferred taxation asset is made up as follows:

	Group		Company	
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
	£'000	£'000	£'000	£'000
Balance at beginning of the year/period	-	1,374	-	1,374
Deferred tax charge (note 8)	-	(1,271)	-	(1,271)
Overprovision in prior year (note 8)	-	(236)	-	(236)
Effect of changes in tax rate (note 8)	-	133	-	133
Balance at 30 June	-	-	-	-

Unrecognised deferred tax

	Group		Company	
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
	£'000	£'000	£'000	£'000
Fixed assets	2,748	2,363	1,329	1,103
Losses	3,593	3,115	2,314	1,959
Short term timing differences	83	57	83	57
Accrued liabilities	1	228	-	-
Intangibles	22	-	-	-
Other	8	45	8	27
	<u>6,455</u>	<u>5,808</u>	<u>3,734</u>	<u>3,146</u>

The deferred tax asset has not been recognised as it is not probable that future taxable profit will be available against which the temporary differences can be utilised.

13. OTHER RECEIVABLES – NON-CURRENT

	Group		Company	
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
	£'000	£'000	£'000	£'000
Accrued income	106	-	-	-
Deposits	-	595	-	594
	<u>106</u>	<u>595</u>	<u>-</u>	<u>594</u>

The above includes cash deposits secured against property leases.

14. INVESTMENTS

Company

	30 Jun 2020 £'000	30 Jun 2019 £'000
Cost and carrying amount of directly owned investments		
ITL Training Limited	-	-
Invisage Limited	-	-
The Reducing Reoffending Partnership Limited (RRP)	-	-
Ingeus Scotland Limited	-	-
Ability Insight Limited	-	-
	<u>-</u>	<u>-</u>

Further details of the company's direct and indirect subsidiaries are disclosed in note 28.

INGEUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) **FOR THE YEAR ENDED 30 JUNE 2020**

15. TRADE AND OTHER RECEIVABLES – CURRENT

	Group		Company	
	30 Jun 2020 £'000	30 Jun 2019 £'000	30 Jun 2020 £'000	30 Jun 2019 £'000
Trade receivables	1,570	3,329	1,298	3,050
Other receivables	825	348	787	1,124
Amounts owed by group undertakings	-	-	-	900
Prepayments	14,852	10,683	13,525	9,428
Accrued income	6,319	12,938	1,571	6,764
	<u>23,566</u>	<u>27,298</u>	<u>17,181</u>	<u>21,266</u>

As at 30 June 2020 amounts owed by group undertakings are unsecured, do not incur any interest and are repayable on demand. For the Group, included in amounts owed by group undertakings is impairment recognised on receivables from the Group undertakings totalling £22,518,000 (2019: £11,222,000). Trade receivables are stated after provisions for impairment of £127,000 (2019: £173,000).

For the Company, included in the amounts owed by group undertakings is impairment recognised on receivables of £23,044,000 (2019: £14,443,000). Trade receivables are stated after provisions for impairment of £102,000 (2019: £152,000).

16. CASH AND CASH EQUIVALENTS

	Group		Company	
	30 Jun 2020 £'000	30 Jun 2019 £'000	30 Jun 2020 £'000	30 Jun 2019 £'000
Cash	1,497	3,161	401	809
Cash equivalents	-	285	-	285
	<u>1,497</u>	<u>3,446</u>	<u>401</u>	<u>1,094</u>

As at 30 June 2020 cash equivalents includes restricted cash of £nil (2019: £285,000) relating to security held against the corporate credit card facility.

17. TRADE AND OTHER PAYABLES – CURRENT

	Group		Company	
	30 Jun 2020 £'000	30 Jun 2019 £'000	30 Jun 2020 £'000	30 Jun 2019 £'000
Trade payables	2,124	2,774	1,215	1,828
Amounts owed to group undertakings	2,377	300	5,331	1,817
Other taxes and social security costs	8,117	3,653	5,416	734
Other payables	1,368	243	1,074	356
Accruals	9,311	13,077	3,214	5,944
Deferred income	24,447	21,524	21,096	19,250
	<u>47,744</u>	<u>41,571</u>	<u>37,346</u>	<u>29,929</u>

Amounts owed to group undertakings are unsecured, do not charge any interest and are repayable on demand.

INGEUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2020

18. TRADE AND OTHER PAYABLES – NON-CURRENT

	Group		Company	
	30 Jun 2020 £'000	30 Jun 2019 £'000	30 Jun 2020 £'000	30 Jun 2019 £'000
Other payables	-	816	-	129
Deferred income	3,063	2,727	-	-
	<u>3,063</u>	<u>3,543</u>	<u>-</u>	<u>129</u>

19. LEASE LIABILITY

Group:	30 Jun 2020 £'000	30 Jun 2019 £'000
Current	3,194	3,312
Between one and five years	3,384	6,036
	<u>6,578</u>	<u>9,348</u>
Company:	30 Jun 2020 £'000	30 Jun 2019 £'000
Current	1,610	1,846
Between one and five years	2,045	3,110
	<u>3,655</u>	<u>4,956</u>

Assets acquired under lease contracts are secured by the lessor's title to the leased assets. Total cash outflow for the Group is £3,692,000 (2019: £1,971,000). Total cash outflow for the Company is £2,007,000 (2019: £1,087,000).

20. POST-EMPLOYMENT BENEFIT

The Staffordshire and West Midlands Community Rehabilitation Company Limited ("SWM") and The Derbyshire Leicestershire Nottinghamshire and Rutland Community Rehabilitation Company Limited ("DLNR") participate in the Greater Manchester Local Government Pensions Fund ("LGPS"). The participation commenced on 1 June 2014 when the employees of the trust were transferred into SWM and DLNR (the "CRCs") and the companies became admitted bodies. As such the CRCs were granted a fully funded past service position at the date.

The CRCs' contribution into these schemes is capped at 14%. Any deficits recorded in respect of the LGPS is matched by a pension reimbursement asset obtained from the MoJ. This reflects contractual position the CRCs have with the MoJ that ensures that shortfalls and any variation in the contribution rates or crystallisation of scheme liabilities on exit are reimbursed. The CRCs do have a potential obligation arising due to early retirement.

The following information is based on upon a full actuarial valuation of the fund as at 30 June 2020 by a qualified independent actuary.

INGEUS UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2020**

20. POST-EMPLOYMENT BENEFIT (continued)

Net pension liability

	30 Jun 2020 £'000	30 Jun 2019 £'000
Defined benefit obligation	(262,065)	(254,248)
Plan assets	175,716	190,999
	<u>(86,349)</u>	<u>(63,249)</u>

Movements in present value of defined benefit obligation

	30 Jun 2020 £'000	30 Jun 2019 £'000
At 1 July/ 1 January	(254,248)	(214,690)
Current service cost	(6,566)	(2,927)
Past service cost	(59)	(2,649)
Interest expense	(5,909)	(3,080)
Actuarial gain/(loss)	2,371	(31,659)
Contributions by members	(1,028)	(564)
Benefits paid	3,374	1,321
As at 30 June	<u>(262,065)</u>	<u>(254,248)</u>

Movements in fair value of plan assets

	30 Jun 2020 £'000	30 Jun 2019 £'000
At 1 July/ 1 January	190,999	174,285
Interest income on plan assets	4,436	2,479
Return on plan assets less interest	(20,846)	13,408
Restructuring contribution by employer	251	354
Early retirement contributions by employer	881	24
Contribution by employer	2,341	1,206
Contribution by members	1,028	564
Benefits paid	(3,374)	(1,321)
As at 30 June	<u>175,716</u>	<u>190,999</u>

Reconciliation of opening and closing balance for reimbursement right recognised as an asset

	30 Jun 2020 £'000	30 Jun 2019 £'000
At 1 July/1 January	(63,249)	(40,405)
Net interest expense	(1,475)	(601)
Re-measurement through other comprehensive income	(19,259)	(18,251)
Re-measurement through profit and loss	(2,366)	(3,992)
As at 30 June	<u>(86,349)</u>	<u>(63,249)</u>

INGEUS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)**
FOR THE YEAR ENDED 30 JUNE 2020

20. POST-EMPLOYMENT BENEFIT (continued)**Expense/income recognised in the Statement
of Comprehensive Income**

	Year ended	Six months
	30 Jun 2020	ended
	£'000	30 Jun 2019
		£'000
Contributions paid by the Group	(3,808)	(1,584)
Adjustment to current service cost	(2,366)	(3,992)
Adjustment to re-imbursement asset	2,366	3,992
Net interest on net defined benefit liability	(1,475)	(601)
Net interest on net re-imbursement asset	1,475	601
Total net recognised in Statement of Comprehensive Income	<u>(3,808)</u>	<u>(1,584)</u>

Total actuarial loss is comprised of:

	Year	Six month period
	ended	ended
	30 Jun	
	2020	30 Jun 2019
	£'000	£'000
Changes in financial assumptions	(26,988)	(31,659)
Changes in demographic assumptions	6,515	-
Other experience	<u>22,844</u>	<u>-</u>
Total actuarial loss	<u>2,371</u>	<u>(31,659)</u>

	30 Jun 2020	30 Jun 2019
	£'000	£'000
Actual return on plan assets	<u>(20,846)</u>	<u>13,408</u>

INGEUS UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2020**

20. POST-EMPLOYMENT BENEFIT (continued)

The fair value of the plan assets and the return on those assets were as follows:

	30 June 2020			30 June 2019		
	Quoted £'000	Unquoted £'000	Total £'000	Quoted £'000	Unquoted £'000	Total £'000
Equity Securities:						
Consumer	13,650	-	13,650	10,550	-	10,550
Manufacturing	12,003	-	12,003	11,038	-	11,038
Energy and Utilities	8,236	-	8,236	10,734	-	10,734
Financial Institutions	16,350	-	16,350	15,115	-	15,115
Health and Care	9,675	-	9,675	5,640	-	5,640
Information Technology	8,891	-	8,891	3,411	-	3,411
Other	2,449	-	2,449	2,093	-	2,093
Debt Securities:						
Corporate Bonds (investment grade)	9,130	-	9,130	7,144	-	7,144
UK Government	-	-	-	1,257	-	1,257
Other	4,998	-	4,998	4,844	-	4,844
Private Equity:						
All	-	10,131	10,131	-	8,944	8,944
Real Estate:						
UK Property	-	7,046	7,046	-	9,072	9,072
Investment Funds and Unit Trusts:						
Equities	17,307	-	17,307	43,178	0	43,178
Bonds	21,963	-	21,963	23,758	0	23,758
Infrastructure	-	9,534	9,534	-	9,157	9,157
Other	3,811	16,655	20,466	3,722	16,475	20,197
Derivatives:						
Other	-	-	-	97	0	97
Cash and Cash Equivalents:						
All	3,887	-	3,887	4,770	0	4,770
	132,350	43,366	175,716	147,351	43,648	190,999

INGEUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2020

20. POST-EMPLOYMENT BENEFIT (continued)

Principal actuarial assumptions (expressed as weighted averages) at the year/period end were as follows:

	30 Jun 2020	30 Jun 2019
	%	%
Discount rate	1.5	2.3
Future salary increase	2.9	3.2
Pension increase rate	2.1	2.4

In valuing the liabilities of the pension fund as at 30 June 2020, mortality assumptions have been made relating to longevity. The underlying pension liabilities at the Statement of Financial Position date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. These assumptions are based on the follows:

- Current pensioner aged 65: 20.5 years (male), 23.1 years (female)
- Future retiree upon reaching 65: 22.0 years (male), 25.0 years (female)

As at the date of the most recent valuation, the duration of the Employer's funded liabilities is 26 years.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Approximate % increase to Defined Benefit Obligation		Approximate monetary amount	
	As at 30 Jun 2020 %	As at 30 Jun 2019 %	As at 30 Jun 2020 £'000	As at 30 Jun 2019 £'000
Change in assumption				
0.5% decrease Real Discount Rate	11%	12%	30,316	30,120
0.5% increase in the Salary Increase Rate	1%	3%	3,670	9,058
0.5% increase in the Pension Increase Rate (CPI)	10%	8%	26,017	20,180

The principal demographic assumption is the longevity assumption (member life expectancy). The estimated sensitivity for this is a one-year increase in life expectancy would increase the Employer's Defined Benefit Obligation by around 3-5% (2019: 3-5%).

The above sensitivity analyses are based on a change in assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the defined benefit liability recognised in the balance sheet, based on the profile (average member ages, retirement ages etc) of the employer as at the date of the most recent triennial valuation.

INGEUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2020

20. POST-EMPLOYMENT BENEFIT (continued)

Post retirement costs and contributions in the year

The Group operates a number of defined contribution schemes which receive fixed contributions from group companies. The group's legal or constructive obligation for these schemes is limited to the contributions. The expense recognised in the current period in relation to these contributions was £813,000 (2019: £458,000).

The amounts payable to the LGPS as at 30 June 2020, included within other payables, was £291,000 (2019: £305,000).

Included in the employees provisions (note 9) is a pensions provision of £58,000 (2019: £145,000) in relation to the employee restructuring program. During the year, £163,000 (2019: £378,000) was charged to the statement of comprehensive income and a contribution of £251,000 (2019: £354,000) was paid by the Group to the LGPS. These costs are not reimbursable by the MoJ.

Included in the accruals and deferred income balance (note 17) is a provision of £238,000 (2019: £675,000) in relation to ill-health retirement benefits. As per the contract terms with the MoJ, Group employees can claim for ill health retirement under the rules of the LGPS. Each individual's claim is first screened by the Group, and then medically assessed by the LGPS. Where ill health retirement is granted, the individual's pension will be enhanced, the scale of the enhancement being dependent on the extent of the deterioration in the individual's health.

Under the LGPS rules, the Group is required to meet the capital cost of enhancing each individual's pension due to ill health. The Group's liability to ill health claims would cease at the point the contract ends.

During the year, £29,000 was charged (2019: £109,000 was charged) to the statement of comprehensive income in relation to the ill-health costs. The amount paid during the year was £881,000 (2019: £24,000).

21. PROVISIONS

Group

	Lease dilapidations £'000	Other provision £'000	Onerous contract provision £'000	Employee provisions £'000	Total provision £'000
Balance at 1 July 2019	2,550	207	1,547	1,091	5,395
Provisions made in the year	151	567	662	819	2,199
Unwind of discount	86	-	-	-	86
Provisions used in the year	(468)	(137)	(1,246)	(1,649)	(3,500)
Provisions released in the year	(36)	-	(94)	-	(130)
Balance at 30 June 2020	2,283	637	869	261	4,050
At 30 June 2020					
Current provisions	200	302	763	261	1,526
Non-current provisions	2,083	335	106	-	2,524
	2,283	637	869	261	4,050
At 30 June 2019					
Current provisions	691	202	594	1,084	2,571
Non-current provisions	1,859	5	953	7	2,824
	2,550	207	1,547	1,091	5,395

INGEUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2020

21. PROVISIONS (continued)

Company

	Lease dilapidations £'000	Other provision £'000	Onerous contract provision £'000	Employee provisions £'000	Total provision £'000
Balance at 1 July 2019	702	207	1,453	909	3,271
Provisions made in the year	153	-	662	203	1,018
Unwind of discount	19	-	-	-	19
Provisions used in the year	(368)	(137)	(1,246)	(909)	(2,660)
Provisions released in the year	-	-	-	-	-
Balance at 30 June 2020	506	70	869	203	1,648
At 30 June 2020					
Current provisions	200	56	763	203	1,222
Non-current provisions	306	14	106	0	426
	506	70	869	203	1,648
At 30 June 2019					
Current provisions	554	202	499	901	2,156
Non-current provisions	148	5	954	8	1,115
	702	207	1,453	909	3,271

Lease dilapidations

This provision represents the estimated lease dilapidation costs on the Group's operating lease tenancies. When a property is exited, the provision is used to defray any dilapidation settlements. The non-current provisions will be utilised between 1-2 years.

Other provision

This provision relates to the future property costs (excluding rental payments) where the Group has vacated a property and has no further commercial use for the property. The non-current provisions will be utilised between 1-2 years.

Onerous contract provision

This provision relates to contracts which the Group operates, which were forecasted to be loss-making over the contract year. The non-current provisions will be utilised between 1-2 years.

Employee provisions

This provision relates to the provision for announced redundancy costs and the long-term management incentive scheme. Costs incurred when employees leave the Group or when incentives are paid out are offset against the amount provided. The non-current provisions will be utilised between 1-2 years.

22. SHARE CAPITAL

	Ordinary Number of Shares	
	30 Jun 2020	30 Jun 2019
On issue at 30 June valued at £1 per share	4	4

There are no restrictions on dividends or repayments of capital.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The objective of the Group's capital management is to ensure that it maintains strong credit ratings and capital ratios. This will ensure that the business is correctly supported and shareholder value is maximised.

The Group and Company manage their capital structure through adjustments that are dependent on economic conditions. In order to maintain or adjust the capital structure, the Group or Company may choose to issue new share capital to shareholders. There were no changes to the objectives or policies during the year ended 30 June 2020 and period ended 30 June 2019.

(a) Pension assets and liabilities

Note 20 contains details of the pension assets and liabilities due to the defined benefit pension scheme.

(b) Fair values of financial instruments

Trade and other receivables/payables

For current trade and other receivables and with a remaining useful life of less than one year, the amortised cost is deemed to reflect fair value.

Interest-bearing borrowings

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest as at the date of the Statement of Financial Position.

The fair values of all financial assets and financial liabilities by class together with their fair carrying amounts shown in the Statement of Financial Position are as follows:

Group	Carrying amount		Fair value	
	30 Jun 2020 £'000	30 Jun 2019 £'000	30 Jun 2020 £'000	30 Jun 2019 £'000
Financial assets				
Cash and cash equivalents	1,497	3,446	1,497	3,446
Receivables	8,820	17,210	8,820	17,210
	10,317	20,656	10,317	20,656
Financial liabilities				
Trade and other payables	23,297	20,863	23,297	20,863
Lease liability	6,578	9,348	6,578	9,348
	29,875	30,211	29,875	30,211

INGEUS UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2020**

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)
(b) Fair values of financial instruments (continued)

Company	Carrying amount		Fair value	
	30 Jun 2020 £'000	30 Jun 2019 £'000	30 Jun 2020 £'000	30 Jun 2019 £'000
Financial assets				
Cash and cash equivalents	401	1,094	401	1,094
Receivables	3,656	12,432	3,656	12,432
	<u>4,057</u>	<u>13,526</u>	<u>4,057</u>	<u>13,526</u>
Financial liabilities				
Trade and other payables	16,250	10,808	16,250	10,808
Lease Liability	3,655	4,956	3,655	4,956
	<u>19,905</u>	<u>15,764</u>	<u>19,905</u>	<u>15,764</u>

(c) Credit risk

Credit risk is the risk of financial loss to the Group or Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's or Company's receivables from customers and investment securities.

Internal risk control assesses the credit quality of the customers, taking into account its financial position, past experience and other factors set by the Board.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the Statement of Financial Position date was £10,317,000 (2019: £20,656,000) being the total of the carrying amount of financial assets, excluding prepayments, shown in the table above.

The maximum exposure to credit risk for trade receivables at the Statement of Financial Position date was £1,697,000 (2019: £3,502,000).

Credit quality of financial assets and impairment losses

The aging of trade receivables at the Statement of Financial Position date was:

Group	Gross		Gross	
	30 Jun 2020 £'000	Impairment 30 Jun 2020 £'000	30 Jun 2019 £'000	Impairment 30 Jun 2019 £'000
Financial assets				
Not past due	1,334	-	1,881	51
Past due 0 - 30 days	61	-	1,371	-
Past due 31 - 120 days	89	4	130	20
Past 120 days	213	123	120	102
	<u>1,697</u>	<u>127</u>	<u>3,502</u>	<u>173</u>

INGEUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2020

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk (continued)

There was an impairment provision of trade receivables of £127,000 (2019: £173,000) at the year end. Trade receivables that are less than three months past due are not considered impaired. As of 30 June 2020, trade receivables of £236,000 (2019: £nil) were past due but not impaired. These relate to government contracts for which there is no history of default.

The allowance account for trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly.

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group or Company's income or the value of its holdings of financial instruments. The market for services to governments is competitive and subject to change and pricing pressure, particularly during the bidding for new contracts and contract renewals. However, due to the critical nature of our offerings, market entry can be difficult for new entrants or those without prior established track-records. Other barriers to entry include operational service complexity and significant upfront investments. This can include establishment of complex IT systems, significant monitoring and reporting obligations, delivery from sites across wide geographies, and management and development of supply chains.

There has been no change in the Group's or Company's exposures to market risks as compared to prior years.

(e) Interest rate risk

The Group and Company do not account for any fixed rates financial assets and liabilities at fair value through Statement of Comprehensive Income. Therefore, a change in interest rates at the reporting date would not affect profit through a revaluation.

(f) Foreign currency risk

The Group and Company trade mainly in sterling and therefore has no significant currency risk.

(g) Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations as they fall due.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

Group	Year ended 30 June 2020				
	Carrying amount £'000	Contractual cash flows £'000	1 year or less £'000	1 to <2 years £'000	2 to <5 years £'000
Non-derivative financial liabilities					
Trade and other payables	23,297	23,297	23,297	-	-
Lease liability	6,578	6,578	3,194	2,612	772
	29,875	29,875	26,491	2,612	772

INGEUS UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2020**

**23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)
(g) Liquidity risk (continued)**

		Six months ended 30 June 2019			
	Carrying amount £'000	Contractual cash flows £'000	1 year or less £'000	1 to <2 years £'000	2 to <5 years £'000
Non-derivative financial liabilities					
Trade and other payables	20,863	20,863	20,572	291	-
Lease liability	9,348	10,230	3,550	3,322	3,358
	<u>30,211</u>	<u>31,093</u>	<u>24,122</u>	<u>3,613</u>	<u>3,358</u>

Company		Year ended 30 June 2020			
	Carrying amount £'000	Contractual cash flows £'000	1 year or less £'000	1 to <2 years £'000	2 to <5 years £'000
Non-derivative financial liabilities					
Trade and other payables	16,250	16,250	16,250	-	-
Lease Liability	3,655	4,167	2,122	1,388	657
	<u>19,905</u>	<u>20,417</u>	<u>18,372</u>	<u>1,388</u>	<u>657</u>

		Six months ended 30 June 2019			
	Carrying amount £'000	Contractual cash flows £'000	1 year or less £'000	1 to <2 years £'000	2 to <5 years £'000
Non-derivative financial liabilities					
Trade and other payables	10,808	10,808	10,679	129	-
Lease Liability	4,956	5,468	1,864	1,616	1,988
	<u>15,764</u>	<u>16,276</u>	<u>12,543</u>	<u>1,745</u>	<u>1,988</u>

(h) Capital management

For the purposes of the Group's capital management, capital includes issued capital and all other equity reserve attributable to the equity holders of the parent. The primary object of the Group's capital management is to maximise the shareholder value and ensure the Group continues as a going concern. Management also aims to maintain a capital structure that ensure the lower cost of capital to the Group. The Group manages its capital structure and makes adjustments considering changes in economic conditions.

The directors reviewed the capital structure post year and the company issued additional ordinary shares (see note 27).

INGEUS UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2020**

24. RELATED PARTY TRANSACTIONS

Group	Transaction value for the year ended		Balance outstanding as at	
	30 Jun 2020 £'000	30 Jun 2019 £'000	30 Jun 2020 £'000	30 Jun 2019 £'000
Management charges				
Ingeus Europe Limited	(1,121)	484	(1,329)	8,482
Serendipity (WA) Pty Limited	(692)	210	(870)	(210)
APM Group (UK) Limited	(88)	-	(88)	-
Transactions on behalf of related party				
Ingeus Europe Limited	4,203	3,462	8,974	2,730
APM Group (UK) Limited	179	10	189	10
Loans				
Ingeus Europe Limited - receivable	412	-	412	-
Ingeus Europe Limited – payable	-	-	(90)	(90)
APM Group (UK) Limited	12,943	-	12,943	-
Impairment provision	(11,296)	(11,222)	(22,518)	(11,222)
			<u>(2,377)</u>	<u>(300)</u>
Summary				
Amounts owed by group undertakings (net of impairment) (note 15)			-	-
Amounts owed to group undertakings – current (note 17)			<u>(2,377)</u>	<u>(300)</u>
Net balance owed to group undertakings			<u>(2,377)</u>	<u>(300)</u>

INGEUS UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2020**

24. RELATED PARTY TRANSACTIONS (continued)

Company	Transaction value for the year ended		Balance outstanding as at	
	30 Jun 2020 £'000	30 Jun 2019 £'000	30 Jun 2020 £'000	30 Jun 2019 £'000
Management charges				
Ingeus Europe Limited	-	2,582	-	-
Serendipity (WA) Pty Limited	(578)	177	(755)	(177)
The Staffordshire and West Midlands Community Rehabilitation Company Limited	(171)	(171)	-	171
The Derbyshire, Leicestershire, Nottinghamshire and Rutland Community Rehabilitation Company Limited	(144)	(144)	-	144
Transactions on behalf of related party				
ITL Training Limited	(4,942)	(22)	(1,536)	3,399
Ingeus Europe Limited	(4,319)	3,994	412	4,731
The Reducing Reoffending Partnership Limited	(970)	(659)	3,127	4,097
The Staffordshire and West Midlands Community Rehabilitation Company Limited	(1,789)	698	550	2,339
The Derbyshire, Leicestershire, Nottinghamshire and Rutland Community Rehabilitation Company Limited	(1,194)	656	452	1,646
Advanced Personnel Management Group (UK) Limited	179	10	189	10
Invisage Limited	1,544	155	1,566	22
Loans				
Ingeus Europe Limited	3,926	7,104	3,926	-
The Staffordshire and West Midlands Community Rehabilitation Company Limited	3,719	(3,150)	(431)	(4,150)
The Derbyshire, Leicestershire, Nottinghamshire and Rutland Community Rehabilitation Company Limited	(2,592)	(900)	(3,492)	(900)
The Reducing Reoffending Partnership Limited	961	650	3,155	2,194
Advanced Personnel Management Group (UK) Limited	10,550	-	10,550	-
Impairment provision	(8,601)	(6,511)	(23,044)	(14,443)
			(5,331)	(917)
Summary				
Amounts owed by group undertakings (net of impairment) (note 15)			-	900
Amounts owed to group undertakings – current (note 17)			(5,331)	(1,817)
Net balance owed to group undertakings			(5,331)	(917)

INGEUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2020

24. RELATED PARTY TRANSACTIONS (continued)

All amounts owed to Ingeus Europe Limited, The Derbyshire, Leicestershire, Nottinghamshire and Rutland Community Rehabilitation Company Limited and The Staffordshire and West Midlands Community Rehabilitation Company Limited are unsecured, do not incur interest charges and are repayable on demand.

The Group's key management personnel are the Group's directors. Transactions with key management personnel (who are the directors) are disclosed in Note 9.

25. SECURITY GRANTED OVER CERTAIN MATERIAL ASSETS

The Company and the Group have granted security over certain material assets and granted a qualifying floating charge over all or substantially all of its assets as security over the debts of the ultimate Parent Company to the security beneficiaries set out in the ultimate Parent Company's facility agreement.

26. RESERVES

Group

	Share Premium £'000	Capital Contribution Reserve £'000	Non- Controlling Interest Reserve £'000	Total £'000
Balance at 1 July 2019	5,000	114	-	5,114
Acquisition of minority interest in a controlled entity	-	-	(1,379)	(1,379)
Balance at 30 June 2020	5,000	114	(1,379)	3,735

	Share Premium £'000	Capital Contribution Reserve £'000	Non- Controlling Interest Reserve £'000	Total £'000
Balance at 1 January 2019	5,000	114	-	5,114
Acquisition of minority interest in a controlled entity	-	-	-	-
Balance at 30 June 2019	5,000	114	-	5,114

INGEUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) **FOR THE YEAR ENDED 30 JUNE 2020**

26. RESERVES (continued)

Company

	Share Premium £'000	Capital Contribution Reserve £'000	Total £'000
Balance at 1 July 2019	5,000	114	5,114
Balance at 30 June 2020	5,000	114	5,114

	Share Premium £'000	Capital Contribution Reserve £'000	Total £'000
Balance at 1 January 2019	5,000	114	5,114
Balance at 30 June 2019	5,000	114	5,114

Share Premium

Amount subscribed for share capital in excess of nominal value.

Capital Contribution Reserve

This relates to share-based payments recognised as an equity reserve pursuant to a stock option and restricted stock unit scheme operated by the previous owners of Ingeus UK Limited.

Non-Controlling Interest Reserve

This records the financial impact of acquiring the non-controlling interests in a controlled entity.

27. EVENTS AFTER THE REPORTING DATE

On 1 March 2021, the Company issued 5,691,129 ordinary shares of £1 each in settlement of debts totalling £5,691,129 owing to its immediate parent entity Ingeus Europe Limited.

In addition, on 1 March 2021, Ingeus Europe Limited subscribed for 29,000,000 ordinary shares of £1 each in the Company for a total of £29,000,000.

On the assumption that the above transactions had occurred on 30 June 2020, the impact on the Group's and the Company's Statement of Financial Position would have been as follows:

	30 June 2020 balance £'000	Subsequent event £'000	Proforma balance £'000
Consolidated			
Net assets/ (net liabilities)	(28,098)	34,691	6,593
Shareholders' equity/(deficit)	(28,098)	34,691	6,593
Company			
Net assets/ (net liabilities)	(21,299)	34,691	13,392
Shareholders' equity/(deficit)	(21,299)	34,691	13,392

INGEUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2020

27. EVENTS AFTER THE REPORTING DATE (continued)

From a Group and Company perspective the net liabilities would have reduced from £28,098,000 and £21,299,000 respectively to a net asset position of £6,593,000 and £13,392,000 respectively.

In addition, subsequent to year end, the Group acquired 100% of CNLR Horizons Limited for £1,427,000 and its provisionally determined fair values result in intangibles of £1,431,000. It's principal activity is to provide employee assistants programmes.

28. SUBSIDIARY COMPANIES

The Company's subsidiaries, including subsidiaries held by indirect holding companies are:

Name	Country	% ordinary share capital ownership	
		30 Jun 2020	30 Jun 2019
Invisage Limited ¹	UK	100%	100%
Ingeus Scotland Limited* ²	UK	100%	100%
ITL Training Limited ¹	UK	100%	100%
The Reducing Reoffending Partnership Limited ¹	UK	100%	90%
The Derbyshire Leicestershire Nottinghamshire and Rutland Community Rehabilitation Company Limited ^{3,4}	UK	100%	90%
The Staffordshire and West Midlands Community Rehabilitation Company Limited ^{3,4}	UK	100%	90%
Ability Insight Limited*	UK	100%	0%

* Dormant company

¹ Registered address – 18 Mansell Street, London, E1 8AA

² Registered address – 13 Queen's Road, Aberdeen, Scotland

³ Registered address – Ground Floor Centre City, 5-7 Hill Street, Birmingham, B5 4UA

⁴ This company is a subsidiary of The Reducing Reoffending Partnership Limited.

29. ULTIMATE AND CONTROLLING PARTY

The immediate Parent Company of Ingeus UK Limited is Ingeus Europe Limited (registered office Fifth Floor, 18 Mansell Street, London, E1 8AA, UK). The ultimate Parent Company is APM Human Services International Pty Ltd and is the ultimate Parent Company and controlling party at balance date. The former ultimate Parent Company, International APM Group Pty Ltd heads the largest and smallest group to consolidate these financial statements.

The consolidated financial statements for the former ultimate Parent Company can be obtained from the Australian Securities and Investments Commission via GPO Box 9827, Melbourne, Victoria 3001, Australia or via their website at <http://www.asic.gov.au/asic/asic.nsf>.