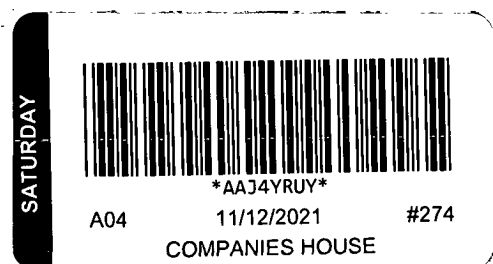

Company registration number: 4320853 (England and Wales)

INGEUS UK LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021



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 A Hart
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 12
Consolidated Statement of Comprehensive Income	13
Consolidated Statement of Financial Position	14
Company Statement of Financial Position	15
Consolidated Statement of Changes in Equity	16
Company Statement of Changes in Equity	17
Consolidated Statement of Cash Flows	18
Company Statement of Cash Flows	19
Notes to the financial statements	20 to 59

INGEUS UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2021

The directors present their annual report and the audited consolidated financial statements of the Group for the year ended 30 June 2021.

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, Invisage Limited, Ingeus Scotland Limited, and Ability Insight Limited. In the current year, the Group also acquired CNLR Horizons Limited on the 1 August 2020.

The principal activity of the Group is the provision of services for people, business and communities to create and improve employment, skills, health and wellbeing. The Company helps governments and employers to design and deliver services to help solve today's complex social challenges and improve opportunities for all.

Review and results of operations

During the year the Group saw revenue from continuing operations increase by 68.7% from the previous year to £79.3 million (2020: continuing operations £47.0 million). The Group made a profit in the year amounting to £16.4 million (2020: loss of £13.0 million). Net assets increased by 181.9% to £23.0 million during the year (2020: £28.1 million net liabilities). These are the key performance indicators for the Company.

Business Overview

The Group continues to specialise in creating and delivering services in Employment, Health, Justice and Youth. Ingeus is commissioned by national, devolved and local governments to support their efforts in the creation of strong societies and also works with commercial employers to support their workforce development, wellbeing and recruitment.

During the year the Group completed the acquisition of CNLR Horizons Limited which delivers employee assistance programmes across the globe. In addition, the Group was successful in securing several large new contracts namely; Restart (Employment) commissioned by Department of Work & Pensions (DWP) and Commissioned Rehabilitative Services (CRS) (Justice) commissioned by Ministry of Justice (MOJ). The Group also successfully exited the Reducing Reoffending Partnership Limited (RRP) contract as it transitioned back to MOJ on 25 June 2021.

Employment

Primarily the Employment Services division supports governments to find people suitable, lasting work by making sure that people have the skills and support to get jobs, gain independence and become productive employees. The Group has been delivering employment programmes for more than 15 years and has supported more than 250,000 people into lasting employment.

During the year Ingeus UK Limited delivered a series of employment programmes the largest of which was Work and Health Programme (WHP) incorporating Job Entry Targeted Support (JETS). The Company delivered as prime contractor in the North West, Greater Manchester and Central London regions and supported other providers (Reed and Shaw Trust) in the North East and Central regions. In addition, the Group delivered programmes such as Steps to Success (Northern Ireland), Access to Work, Additional Capacity for Healthcare Professionals and Employment Advisors for IAPT (Improving Access to Psychological Therapies Programme).

The latest addition to Ingeus UK Limited employment services programmes is Restart. The first programme participants will be seen by the Company in July 2021. This programme is part of the Government's "Plan for Jobs" to help millions of people across the UK who have been directly impacted by COVID-19 and have been unemployed for over 12 months. Ingeus UK Limited will be delivering as prime contractor in Greater Manchester and Central & West London and will be supporting Serco to deliver in the Central region.

Health

The Health Division supports the National Diabetes Prevention Programme (NDPP). This programme is focused on supporting patients at high risk of developing Type 2 Diabetes. The programme provides people with the knowledge, skills and support to avoid developing the disease and delivers through structured education programmes. The programme has been very successful and has achieved clinically significant weight loss and improvement in blood test results, helping a high proportion of individuals to move out of at-risk groups. Ingeus UK Limited leads an innovative partnership with the Leicester Diabetes Centre and Aviva (a digital health provider) to deliver NDPP.

Youth Services

Ingeus UK Limited remains 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. The Youth Division provides social and personal development programmes for young people, including team building activities and projects that support their local communities. The Company has worked with more than 80,000 teenagers helping them to realise their potential and achieve their aspirations.

Justice

The Justice Division delivers a series of contracts that aim to break the cycle of re-offending by supporting offenders both in custody and within communities to transform their lives. These contracts include Transforming Rehabilitation programme delivered by The Reducing Reoffending Partnership Limited (RRP), CFO3 (Social Inclusion programme), CFO Activity Hubs and the recently secured CRS programmes.

During the year the Transforming Rehabilitation programme came to a close. The primary aim of this programme was to achieve a reduction in reoffending. RRP utilised the expertise of its 1,000+ advisors to provide personalised support to offenders across employment, health and social care. The partnership supported over 20,000 service users at any one time across these two areas.

The remaining programmes for Justice provide a range of services that support social inclusion, rehabilitation and resettlement within communities. CFO3 delivers in three regions; East Midlands, North East, Yorkshire & Humber and focuses on supporting participants into employment through education, training, counselling and rehabilitation services. CFO Activity Hubs provides a safe environment for offenders to access support for accommodation, health, finance, debt, employment and training. Finally, the recently secured CRS programmes will support resettlement through a series of service contracts; CRS Accommodation, CRS Education, Training and Employment and CRS Personal Wellbeing.

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 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.

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.

Principal risks and uncertainties (continued)

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

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

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.

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.

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.

INGEUS UK LIMITED**STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 30 JUNE 2021**

Equal opportunities

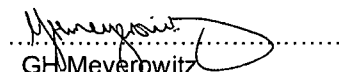
The Group published its data in April 2018 in relation to the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.

This report showed that the Group's median gender pay gap of 8% is much lower than the national average of 17%. The Group continues to focus on building the right environment and support for women to have successful careers at Ingeus, particularly at senior levels.

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

29 November 2021

INGEUS UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2021

The directors present their annual report and the audited consolidated financial statements of the Group for the year ended 30 June 2021.

Results and dividends

The results for the year are set out on page 13.

Ingeus UK Limited did not declare or pay any dividends in the year (2020: Nil).

Directors

The following directors held office during the year ended 30 June 2021 and up to the signing of these financial statements, unless otherwise stated:

GH Meyerowitz
J Sawyer
F Woodbridge (appointed 11 August 2020)
A Hart (appointed 4 June 2021)

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.

Streamlined Energy & Carbon Reporting ("SECR")

The Company and the Group procure energy direct from the energy suppliers and the total energy procured was 37,247 Kilowatt-hours ("kWh"). Wherever possible, the Group will procure from Suppliers who hold Green tariffs and supported by applicable REGO (Renewable Energy Guarantees of Origin) certificates to allow full transparency of source generation.

The energy use is as follows:

Energy Use	Kilowatt Hours (KW/h)	Kg of Carbon Dioxide Equivalent (kg/CO2e)
Electricity	37,247	252,142
Gas	Nil.	Nil.
Total	37,247	252,142

The intensity ratio has been calculated using the total revenue attributed to the Company and its subsidiaries for the reporting year divided by the total kilograms ("kgs") of carbon dioxide equivalent produced. For every £314.42 of revenue, 1 kg of carbon dioxide equivalent ("CO2/e") is produced. This will enable year on year comparisons to be made in context of business growth. The Company has not undertaken any measures for the purpose of increasing the Company's energy efficiency in the year.

Going concern

The financial statements have been prepared on the going concern basis, with a profit in the year of £16.4 million (2020: loss of £13.0 million), net current assets of £15.8 million (2020: net current liabilities £27.4 million) and net assets of £23.0 million (2020: net liabilities £28.1 million), for the reasons set out below.

Going concern (continued)

The Company and the Group are reliant on funds provided to them by their ultimate Parent Company, APM Human Services International Pty Limited ("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 2021.

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.

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 auditors

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.

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 group and the company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Under company law, 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 group and company and of the profit or loss of the group 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 international accounting standards in conformity with the requirements of the Companies Act 2006 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 group and company will continue in business.

The directors are responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

INGEUS UK LIMITED

**DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 30 JUNE 2021**

Events after the reporting date

There are no events after balance date.

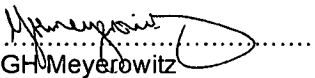
Directors' indemnities

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.

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
29 November 2021

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 2021 and of the group's profit and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements 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 Financial Statements (the "Annual Report"), which comprise: the Consolidated and company statements of financial position as at 30 June 2021; 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

Independent auditors' report to the members of Ingeus UK Limited

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 our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

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 2021 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment legislation, data protection legislation, UK taxation legislation and health and safety legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of unusual journals to revenue or manipulating accounting estimates which could be subject to management bias. Audit procedures performed by the engagement team included:

- Enquiries of management, those charged with governance, around actual and potential litigation and claims;
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- Review of legal expense accounts;

Independent auditors' report to the members of Ingeus UK Limited

- Auditing the risk of management override of controls and risk of fraud in revenue recognition through testing a sample of journal entries mainly relating to entries with unusual account combinations;
- Testing of accounting estimates which could be subject to management bias; and
- Reviewing financial statements disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 obtained 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
29 November 2021

INGEUS UK LIMITED
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021**

	Note	Year ended 30 Jun 2021 £'000	Year ended 30 Jun 2020 £'000
Continuing operations			
Revenue	3	79,279	46,981
Cost of sales		<u>(51,470)</u>	<u>(39,941)</u>
Gross profit		27,809	7,040
Administrative expenses		(28,052)	(9,869)
Net impairment gains on financial and contract assets	5	1,298	2,229
Other income	4	<u>499</u>	<u>336</u>
Operating profit/(loss)		1,554	(264)
Finance income	6	-	17
Finance costs	7	<u>(270)</u>	<u>(322)</u>
Profit/(loss) before taxation		1,284	(569)
Income tax credit	8	<u>5,252</u>	<u>-</u>
Profit/(loss) for the year from continuing operations		6,536	(569)
Profit from discontinued operations (attributable to equity holders of the company)	10	9,912	(12,447)
Other comprehensive (expense)/income net of tax			
<i>Items that may be reclassified to profit or loss</i>			
Re-measurement of pension liability	22	5,344	(19,259)
Re-measurement of pension asset and reimbursement asset	22	<u>(5,344)</u>	<u>19,259</u>
Total comprehensive profit/(loss) net of tax for the year		<u>16,448</u>	<u>(13,016)</u>
Profit/(loss) for the year attributable to:			
Owners of the parent		16,448	(12,915)
Non-controlling interest		<u>-</u>	<u>(101)</u>
		<u>16,448</u>	<u>(13,016)</u>

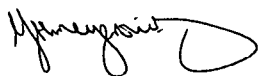
The notes on pages 20 to 59 are an integral part of the consolidated financial statements.

INGEUS UK LIMITED

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021**

	Note	As at 30 Jun 2021 £'000	As at 30 Jun 2020 £'000
ASSETS			
Non-current assets			
Intangible assets	12	1,739	138
Property, plant and equipment	13	15,521	8,030
Pension re-imbursement asset	22	-	86,349
Other receivables	15	-	106
Deferred tax asset	14	5,252	-
Total non-current assets		22,512	94,623
Current assets			
Trade and other receivables	17	49,771	23,566
Cash and cash equivalents	18	15,247	1,497
Total current assets		65,018	25,063
TOTAL ASSETS		87,530	119,686
LIABILITIES			
Current liabilities			
Trade and other payables	19	44,866	47,744
Lease liability	21	1,936	3,194
Provisions	23	2,453	1,526
Total current liabilities		49,255	52,464
Net current assets/(liabilities)		15,763	(27,401)
Non-current liabilities			
Trade and other payables	20	1,721	3,063
Lease liability	21	12,048	3,384
Provisions	23	1,465	2,524
Pension liability	22	-	86,349
Total non-current liabilities		15,234	95,320
TOTAL LIABILITIES		64,489	147,784
NET ASSETS/(LIABILITIES)		23,041	(28,098)
SHAREHOLDER'S EQUITY			
Share capital	24	34,691	-
Share premium		5,000	-
Reserves	28	114	3,735
Accumulated losses		(16,764)	(31,833)
Equity attributable to owners of the parent		23,041	(28,098)
TOTAL EQUITY/(DEFICIT)		23,041	(28,098)

The financial statements on pages 13 to 59 were approved by the board of directors on 26 November 2021 and signed on its behalf by:



GH Meyerowitz
Director

The notes on pages 20 to 59 are an integral part of the consolidated financial statements.
Company registration number: 4320853

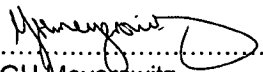
INGEUS UK LIMITED

**COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021**

	Note	As at 30 Jun 2021 £'000	As at 30 Jun 2020 £'000
ASSETS			
Non-current assets			
Intangible assets	12	275	-
Property, plant and equipment	13	15,498	3,768
Deferred tax asset	14	5,252	-
Investments	16	1,479	-
Total non-current assets		<u>22,504</u>	<u>3,768</u>
Current assets			
Trade and other receivables	17	42,563	17,181
Cash and cash equivalents	18	9,655	401
Total current assets		<u>52,218</u>	<u>17,582</u>
LIABILITIES			
Current liabilities			
Trade and other payables	19	37,939	37,346
Lease liability	21	1,688	1,610
Provisions	23	701	1,222
Total current liabilities		<u>40,328</u>	<u>40,178</u>
Net current assets/(liabilities)		<u>11,890</u>	<u>(22,596)</u>
Non-current liabilities			
Trade and other payables	20	400	-
Lease liability	21	12,048	2,045
Provisions	23	1,465	426
Total non-current liabilities		<u>13,913</u>	<u>2,471</u>
NET ASSETS/(LIABILITIES)		<u><u>20,481</u></u>	<u><u>(21,299)</u></u>
SHAREHOLDER'S EQUITY			
Share capital	24	34,691	-
Share premium		5,000	5,000
Capital contributions reserve	28	114	114
Accumulated losses		<u>(19,324)</u>	<u>(26,413)</u>
TOTAL EQUITY/(DEFICIT)		<u><u>20,481</u></u>	<u><u>(21,299)</u></u>

The Company profit for the year ended 30 June 2021 was £7,089,000 (2020: loss of £11,425,000).

The financial statements on pages 13 to 59 were approved by the board of directors on 29 November 2021 and signed on its behalf by:


 GH Meyerowitz
 Director
 29 November 2021

The notes on pages 20 to 59 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 2021**

	Share capital £'000	Share premium £'000	Reserves £'000	Accumulated losses £'000	Total equity £'000
Balance at 1 July 2020	-	-	3,735	(31,833)	(28,098)
Reclassification	-	5,000	(3,621)	(1,379)	-
Profit for the year	-	-	-	16,448	16,448
Total comprehensive income	-	-	-	16,448	16,448
Transactions with owners in their capacity as owners:					
Issue of share capital	34,691	-	-	-	34,691
Balance at 30 June 2021	34,691	5,000	114	(16,764)	23,041

	Share capital £'000	Reserves £'000	Accumulated losses £'000	Total £'000	Non- controlling interest £'000	Total equity £'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)
Transaction 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)

The notes on pages 20 to 59 are an integral part of the consolidated financial statements.

INGEUS UK LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021**

	Share capital £'000	Share premium £'000	Reserves £'000	Accumulated losses £'000	Total equity £'000
Balance at 1 July 2020	-	5,000	114	(26,413)	(21,299)
Profit for the year	-	-	-	7,089	7,089
Total comprehensive income	-	-	-	7,089	7,089
Issue of share capital	34,691	-	-	-	34,691
Balance at 30 June 2021	34,691	5,000	114	(19,324)	20,481

	Share capital £'000	Share premium £'000	Reserves £'000	Accumulated losses £'000	Total equity £'000
Balance at 1 July 2019	-	5,000	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	-	5,000	114	(26,413)	(21,299)

The notes on pages 20 to 59 are an integral part of the consolidated financial statements.

INGEUS UK LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021**

	Note	Year ended 30 Jun 2021 £'000	Year ended 30 Jun 2020 £'000
Cash flows from operating activities			
Profit/(loss) before tax for the year from continuing operations		1,284	(569)
Profit/(loss) before tax for the year from discontinuing operations		9,912	(12,447)
Profit/(loss) before tax for the year		11,196	(13,016)
Depreciation	13	4,363	5,852
Amortisation	12	160	253
Write off of lease liabilities		(1,597)	-
Impairment of intercompany receivables		(3,664)	11,296
(Reversal)/ Impairment of property, plant & equipment	13	1,705	-
Finance income	6	-	(24)
Finance cost		433	611
Net loss on disposal of property, plant and equipment		1,614	146
Loss on disposal of intangible assets		-	23
(Increase)/ Decrease in trade and other receivables		(4,661)	9,901
Increase in trade and other payables		(625)	5,693
Decrease in provisions		(936)	(1,431)
Cash (used in)/generated from operating activities		7,988	19,304
Net cash (used in)/generated from operating activities		7,988	19,304
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,644)	(563)
Purchase of intangible assets		(297)	(46)
Finance (expense)/ income		-	24
Acquisition of subsidiary, net of cash acquired		(20)	-
Net cash utilised by investing activities		(2,961)	(585)
Cash flows from financing activities			
Loans provided to group undertakings		(7,998)	(23,034)
Loan repayments from group undertakings		-	6,058
Loan repayments to group undertakings		11,876	
Payment of principal on lease liabilities		(2,726)	(3,167)
Payment of interest on lease liabilities		(429)	(525)
Proceeds from issue of shares	24	8,000	
Net cash generated from/(used in) financing activities		8,723	(20,668)
Net increase/(decrease) in cash and cash equivalents		13,750	(1,949)
Cash and cash equivalents at the beginning of the year		1,497	3,446
Cash and cash equivalents at the end of the year		15,247	1,497

The notes on pages 20 to 59 are an integral part of the consolidated financial statements.

INGEUS UK LIMITED

**COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021**

	Note	Year ended 30 Jun 2021 £'000	Year ended 30 Jun 2020 £'000
Cash flows from operating activities			
Profit/(loss) before tax for the year		1,837	(11,425)
Depreciation	13	2,018	2,262
Amortisation		-	18
Impairment of property, plant and equipment	13	1,566	-
(Reversal)/impairment of intercompany balances		(1,925)	8,601
Write off of lease liability		(100)	-
Net finance expense		270	386
(Gain)/ loss on disposal of property, plant and equipment		(203)	128
Loss on disposal of intangible assets		-	10
(Increase)/decrease in trade and other receivables		(2,448)	11,516
Increase in trade and other payables		9,848	8,416
Decrease in provisions		(282)	(1,641)
Cash (used in)/ generated from operations		10,581	18,271
Net cash (used in)/ generated from operating activities		10,581	18,271
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,581)	(332)
Purchase of intangible assets		(275)	17
Acquisition of subsidiary		(668)	-
Net cash used in investing activities		(3,524)	(315)
Cash flows generated from financing activities			
Loans provided by group undertakings		-	18,881
Loans repayments to group undertakings		(3,923)	(20,086)
Loans provided to group undertakings		(9,439)	(21,495)
Loan repayments by group undertakings		9,377	6,058
Payment of principal on lease liabilities		(1,548)	(1,701)
Payment of interest on lease liabilities		(270)	(306)
Proceeds from issue of shares	24	8,000	-
Net cash generated from/(used in) financing activities		2,197	(18,649)
Net increase/(decrease) in cash and cash equivalents		9,254	(693)
Cash and cash equivalents at the beginning of the year		401	1,094
Cash and cash equivalents at the end of the year		9,655	401

The notes on pages 20 to 59 are an integral part of the consolidated financial statements.

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 presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements have been prepared and approved by the directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. 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 on a historical cost basis, except for the following:

- assets held for sale – measured at fair value less costs to sell; and
- defined benefit pension plans – plan assets measured at fair value.

The financial statements have been prepared 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, with a profit in the year of £16.4 million (2020: loss of £13.0 million), net current assets of £15.8 million (2020: net current liabilities £27.4 million) and net assets of £23.0 million (2020: net liabilities £28.1 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 Limited ("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 2021.

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.

2. 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

The company has applied the following standards and amendments for the first time for its annual reporting period commencing 1 July 2020:

- Definition of Material – Amendments to IAS 1 and IAS 8; and
- Revised Conceptual Framework for Financial Reporting.

The company also elected to adopt the Annual Improvements to IFRS Standards 2018-2020 Cycle amendment early.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the company. None of these are expected to have a material impact on the company in the current or future reporting periods and on foreseeable future transactions.

Business combinations

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity where the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

Joint ventures

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

2. ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue represents income from employment services, youth services, employee assistance program 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.

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.

2. ACCOUNTING POLICIES (continued)

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.

Employee assistance program services

Revenue represents services provided to customers to improve the mental health and wellbeing of their people. The services provided are referred to as an Employee Assistance Program ("EAP").

While the specific terms vary by contract, the Group often receives three types of revenue streams under contracts with customers: fees for service, fixed service fees, adhoc fees for whistle blowing, mentoring and training.

Most of the Group's contracts are a fixed service fee, which includes a single promise to stand ready to deliver pre-defined services. The Group concluded its performance obligations comprise a series of distinct services that are substantially the same and which are transferred to the customer in the same manner. Accordingly, the promise to stand ready is accounted for as a single performance obligation.

Health services

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.

Contract costs

Costs to fulfill a contract are capitalised if the costs relate directly to a contract or a specifically anticipated contract and the costs generate or enhance resources of the entity that will be used to satisfy future performance obligations.

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
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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 8.55% (2020: 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.

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, or in the case of a financial asset not at fair value through profit or loss ('FVPL'), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. 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.

Discontinued operations

A discontinued operation is a component of the entity that has been disposed of or classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operation. The results of discontinued operations are presented separately in the statement of profit or loss.

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

2. ACCOUNTING POLICIES (continued)

Employee benefits (continued)

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").

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 for statutory purposes.

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 actions, 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.

2. ACCOUNTING POLICIES (continued)

Significant accounting estimates and judgements (continued)

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

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 22), although this is offset by a pension reimbursement asset and therefore has no net impact on the Group's results. Note that as at 30 June 2021, the defined benefit pension obligations had been transferred leaving nil balance on the Statement of Financial Position.

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.

INGEUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2021

2. ACCOUNTING POLICIES (continued)

Significant accounting estimates and judgements (continued)

Income taxes:

Significant judgement is required in determining the Group provision for income taxes. These are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises liabilities for anticipated tax based on estimates as to whether additional taxes will be due. Where the final tax outcome of these matters is different from the amount that were initially recorded, such differences will impact the income tax and deferred tax provision in the year in which such determination is made.

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 2021 £'000	Year ended 30 Jun 2020 £'000
Continued operations:		
Employment services	49,840	23,165
Probation	108	-
Youth services	18,119	16,159
Health	7,610	7,647
Employment Assistant Services	3,602	-
Other	-	10
	79,279	46,981

Contract balances

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

	30 Jun 2021 £'000	30 Jun 2020 £'000	1 July 2019 £'000
Trade receivables from customers (see note 17)	8,352	1,570	3,329
Contract assets (accrued income) (see notes 15 and 17)	11,476	6,425	12,938
Contract liabilities (deferred income) (see notes 19 and 20)	19,322	27,510	24,251
Assets recognised from costs incurred to fulfil a contract	5,289	12,671	8,356

Contract assets represent revenue recognised but not yet invoiced. All contract assets as at 30 June 2020 were invoiced during the year ended 30 June 2021. £11,476,000 (2020: £6,319,000) of contract assets as at 30 June 2021 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. £18,001,000 of goods and services are expected to be provided within the following twelve months (2020: £24,447,000).

INGEUS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2021****4. OTHER INCOME**

	Year ended 30 Jun 2021 £'000	Year ended 30 Jun 2020 £'000
Continued operations:		
Income from group undertakings	287	155
Grant income	124	181
Other	88	-
	<u>499</u>	<u>336</u>

Income from group undertakings arises from intergroup recharges.

5. OPERATING PROFIT/(LOSS)

	Year ended 30 Jun 2021 £'000	Year ended 30 Jun 2020 £'000
Continuing operations:		
Operating profit/(loss) is stated after charging/ (crediting):		
Amortisation of intangible assets	-	29
Depreciation of property, plant and equipment from continuing operations	547	465
Depreciation of right of use assets from continuing operations	1,490	1,798
(Gain)/loss on disposal of property, plant and equipment	(209)	13
Room hire	131	1,082
Management charges	322	1,441
Impairment of property, plant and equipment	1,566	-
Net impairment gain on financial and contract assets*	(1,298)	(2,229)

*Of the above impairment losses, a charge of £12,000 (2020: a reversal of £79,000) relate to receivables arising from contracts with customers. A reversal of £1,310,000 (2020: reversal of £2,150,000) relates to an impairment of the amount owed by group undertakings.

Profit/(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 profit after income tax for the financial year was £7,089,000 (2020: loss of £11,425,000).

During the year the group obtained the following services from the company's auditors and its associates:

	Year ended 30 Jun 2021 £'000	Year ended 30 Jun 2020 £'000
Auditors' remuneration		
Fees payable to the company's auditors for the audit of parent company	106	69
Fees payable to the company's auditors for the audit of the consolidated financial statements and company subsidiaries	71	132
	<u>177</u>	<u>201</u>

INGEUS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)**
FOR THE YEAR ENDED 30 JUNE 2021

6. FINANCE INCOME

	Year ended 30 Jun 2021 £'000	Year ended 30 Jun 2020 £'000
Continuing operations		
Bank interest	-	17
	<u>-</u>	<u>17</u>

7. FINANCE COSTS

	Year ended 30 Jun 2021 £'000	Year ended 30 Jun 2020 £'000
Continuing operations:		
Interest expense on lease liability	270	322
	<u>270</u>	<u>322</u>

8. INCOME TAX CREDIT

	Year ended 30 Jun 2021 £'000	Year ended 30 Jun 2020 £'000
Current year tax		
UK corporation tax	-	-
Current tax charge	<u>-</u>	<u>-</u>
Deferred tax		
Deferred tax charge	(4,885)	-
Effect of changes in tax rate	(367)	-
Deferred tax credit	<u>(5,252)</u>	<u>-</u>
Income tax	<u>(5,252)</u>	<u>-</u>
Income tax expense is attributable to:		
Profit from continuing operations	<u>(5,252)</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2021

8. INCOME TAX CREDIT (continued)

Deferred tax

The provision for deferred tax consists of the following deferred tax assets:

	Year ended 30 Jun 2021 £'000	Year ended 30 Jun 2020 £'000
Deferred tax assets due within 12 months	(5,252)	-
Deferred tax assets due in more than 12 months	-	-
Total carrying amount at year end	(5,252)	-

The deferred tax asset relates to brought forward unused tax losses.

The income tax is lower (2020: higher) than the standard rate of tax at 19.00% (2020: 19.00%).
The differences are explained below:

	Year ended 30 Jun 2021 £'000	Year ended 30 Jun 2020 £'000
Factors affecting the income tax for the year		
Profit/(loss) before taxation – continuing activities	11,196	(13,016)
Profit/(loss) before taxation multiplied by standard corporation tax at 19.00% (2020: 19.00%)	2,127	(2,473)
Effects of:		
Non-deductible expenses	219	2,368
Income not taxable	(703)	-
Effects of group relief/ other reliefs	(552)	-
Deferred tax not recognised	-	67
Losses	-	(116)
Amounts recognised	(6,343)	154
Income tax	(5,252)	-

The Finance (No.2) Act 2015 reduced the main rate of UK corporation tax to 19%, effective from 1 April 2017. A further reduction in the UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by Finance Act 2016 on 15 September 2016). However, legislation introduced in the Finance Act 2020 (substantively enacted on 17 March 2020) repealed the reduction of the corporation tax, thereby maintaining the current rate of 19%.

The Finance Act 2021 (substantively enacted on 24 May 2021) increased the main rate of UK corporation tax to 25%, effective from 1 April 2023. As the future increase in the corporation tax rate was substantively enacted at the balance date, deferred taxes on the Statement of Financial Position (to the extent it is recognised) reflect the 25% tax rate as they have been measured at the tax rate expected to apply in the period when the temporary differences reverse or unwind.

INGEUS UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2021**

8. INCOME TAX CREDIT (continued)

	Year ended 30 Jun 2021 £'000	Year ended 30 Jun 2020 £'000
Unrecognised deferred tax:		
Fixed assets	(1,877)	1,386
Short term timing differences	(68)	43
Losses	(631)	2,251
Other	-	(23)
Intangible	(2)	-
	<u>(2,578)</u>	<u>3,657</u>

9. EMPLOYEES

Group

Number of employees

The average monthly number of employees during the year was:

	Year ended 30 Jun 2021 Number	Year ended 30 Jun 2020 Number
Management	21	21
Operational and administration	1,937	1,697
	<u>1,958</u>	<u>1,718</u>

	Year ended 30 Jun 2021 £'000	Year ended 30 Jun 2020 £'000
Employment costs (including directors):		
Wages and salaries	30,424	20,110
Social security costs	3,014	1,835
Pension costs - defined contribution plans	919	620
Less discontinued operations	(23,129)	-
Pension costs – defined benefit plans	2,935	-
	<u>14,163</u>	<u>22,565</u>

Company

Number of employees

The average monthly number of employees during the year was:

	Year ended 30 Jun 2021 Number	Year ended 30 Jun 2020 Number
Management	2	2
Operational and administration	889	710
	<u>891</u>	<u>712</u>

INGEUS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)**
FOR THE YEAR ENDED 30 JUNE 2021

9. EMPLOYEES (continued)

	Year ended 30 Jun 2021 £'000	Year ended 30 Jun 2020 £'000
Employment costs (including directors):		
Wages and salaries	29,916	19,610
Social security costs	2,920	1,735
Pension contribution (defined contributions)	872	589
Intercompany recharges	(5,644)	-
	<u>28,064</u>	<u>21,934</u>

J Sawyer received no remuneration from Ingeus UK Limited for his services to the Group during the year (2020: nil). No costs in respect of J Sawyer's services as director of Ingeus UK Limited were recharged to the Group.

GH Meyerowitz received no remuneration from Ingeus UK Limited for his services to the Group during the year (2020: nil). No costs in respect of GH Meyerowitz's services as director of Ingeus UK Limited were recharged to the Group.

F Woodbridge received £244,800 (2020: nil) remuneration including pension from Ingeus UK Limited for her services to the Group during the year.

A Hart received £207,749 (2020: nil) remuneration including pension from The Reducing Reoffending Partnership Limited for his services to the Group during the year.

10. DISCONTINUED OPERATIONS

In January 2020, SWM and DLNR signed a variation with the MoJ which amended the Contract Period by making the termination date 25 June 2021.

As at 30 June 2021, as the contract with the MoJ is the only contract held by the two companies, the entire operating results have been recognised as a discontinued operation.

INGEUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2021

10. DISCONTINUED OPERATIONS (continued)

The results of the subsidiaries for the year are presented below:

	Year ended 30 Jun 2021 £'000	Year ended 30 Jun 2020 £'000
Revenue	46,941	48,834
Cost of sales	(31,068)	(32,844)
Gross profit	<u>15,873</u>	<u>15,990</u>
Administrative expenses	(10,232)	(14,724)
Net impairment profit/(losses) on financial and contract assets	2,309	(13,511)
Operating profit/(loss)	<u>7,950</u>	<u>(12,245)</u>
Finance income	-	86
Finance costs	(163)	(288)
Profit/(loss) before taxation	<u>7,787</u>	<u>(12,447)</u>
Income tax expense	-	-
Profit/(loss) after income tax of discontinued operations	7,787	(12,447)
Gain on disposal from discontinued operations	2,125	-
Profit/(loss) for the year from discontinued operations	<u>9,912</u>	<u>(12,447)</u>
Other comprehensive income/(expense), net of tax		
<i>Items that may be reclassified to profit or loss</i>		
Re-measurement of pension liability	(9,844)	(19,259)
Re-measurement of pension asset and reimbursement asset	9,844	19,259
Total comprehensive loss net of tax for the year	<u><u>9,912</u></u>	<u><u>(12,447)</u></u>

As the contract was terminated on the 25 June 2021, there is no held for sale asset recognised at year-end as the transaction had completed by this date.

The net cashflows incurred by companies are as follows:

	30 Jun 2021 £'000	30 Jun 2020 £'000
Operating	3,938	682
Investing	591	(216)
Financing	(1,340)	(1,686)
Net cash inflow/(outflow)	<u><u>3,189</u></u>	<u><u>(1,220)</u></u>

INGEUS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2021****11. BUSINESS COMBINATION**

On the 1 August 2020, the Group acquired 100% of CNLR Horizons Limited for £1,478,000 and its determined fair values result in intangibles of £1,463,000. Its principle activity is to provide employee assistance programmes.

The acquired business contributed revenues of £3,603,000 and net profit of £63,000 to the Group for the period from 1 August 2020 to 30 June 2021.

If the acquisition had occurred on 1 July 2020, consolidated pro-forma revenue and profit for the year ended 30 June 2021 would have been £3,927,000 and £73,000 respectively.

Purchase consideration – cash outflow

	Year ended 30 Jun 2021 £'000
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	668
Less balances acquired:	
Cash	(648)
Net outflow of cash – investing activities	20

12. INTANGIBLE ASSETS**Group**

	Goodwill £'000	Licences £'000	Contracts £'000	Computer software licences £'000	Total £'000
Cost					
At 1 July 2020	2,316	280	1,380	660	4,636
Additions	1,464	-	-	297	1,761
Disposals	(30)	(280)	(1,380)	(682)	(2,372)
At 30 June 2021	<u>3,750</u>	<u>-</u>	<u>-</u>	<u>275</u>	<u>4,025</u>
Accumulated amortisation					
At 1 July 2020	2,316	280	1,380	522	4,498
Charge for the year	-	-	-	160	160
Disposals	(30)	(280)	(1,380)	(682)	(2,372)
At 30 June 2021	<u>2,286</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,286</u>
Net book value					
At 30 June 2021	<u><u>1,464</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>275</u></u>	<u><u>1,739</u></u>

Disposals of £30,000 goodwill and £682,000 computer software licences relate to discontinued operations.

INGEUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2021

12. INTANGIBLE ASSETS (continued)
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>

Company

	Computer software £'000
Cost	
At 1 July 2020	-
Additions	275
At 30 June 2021	<u>275</u>
Accumulated amortisation	
At 1 July 2020	-
Charge for the year	-
At 30 June 2021	<u>-</u>
Net book value	
At 30 June 2021	<u>275</u>
	Computer software licences £'000
Cost	
At 1 July 2019	3,025
Disposals	(3,025)
At 30 June 2020	<u>-</u>
Accumulated amortisation	
At 1 July 2019	2,997
Charge for the year	18
Disposals	(3,015)
At 30 June 2020	<u>-</u>
Net book value	
At 30 June 2020	<u>-</u>

INGEUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2021

13. 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 2020	11,876	6,808	2,802	1,109	22,595
Additions	12,837	872	1,464	-	15,173
Disposals	(10,619)	(2,517)	(2,088)	(1,109)	(16,333)
At 30 June 2021	<u>14,094</u>	<u>5,163</u>	<u>2,178</u>	<u>-</u>	<u>21,435</u>
Accumulated depreciation					
At 1 July 2020	7,447	3,747	2,329	1,042	14,565
Charge for the year	2,319	1,441	543	60	4,363
Disposals	(8,918)	(2,481)	(2,218)	(1,102)	(14,719)
Impairment	139	1,566	-	-	1,705
At 30 June 2021	<u>987</u>	<u>4,273</u>	<u>654</u>	<u>-</u>	<u>5,914</u>
Net book value					
At 30 June 2021	<u>13,107</u>	<u>890</u>	<u>1,524</u>	<u>-</u>	<u>15,521</u>

	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	<u>11,876</u>	<u>6,808</u>	<u>2,802</u>	<u>1,109</u>	<u>22,595</u>
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	<u>7,447</u>	<u>3,747</u>	<u>2,329</u>	<u>1,042</u>	<u>14,565</u>
Net book value					
At 30 June 2020	<u>4,429</u>	<u>3,061</u>	<u>473</u>	<u>67</u>	<u>8,030</u>

INGEUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2021

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Leasehold property £'000	Office equipment and fittings £'000	Computer equipment £'000	Total £'000
Cost				
At 1 July 2020	1,586	4,291	743	6,620
Additions	12,837	872	1,401	15,110
Disposals	(493)	-	-	(493)
At 30 June 2021	13,930	5,163	2,144	21,237
Accumulated depreciation				
At 1 July 2020	923	1,626	303	2,852
Charge for the year	595	1,082	341	2,018
Disposals	(697)	-	-	(697)
Impairment	-	1,566	-	1,566
At 30 June 2021	821	4,274	644	5,739
Net book value				
At 30 June 2021	13,109	889	1,500	15,498

	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	1,586	4,291	743	6,620
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	923	1,626	303	2,852
Net book value				
At 30 June 2020	663	2,665	440	3,768

INGEUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2021

13. 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 2020	6,006	4,377	10,383
Additions	11,729	-	11,729
Disposals	(5,021)	-	(5,021)
At 30 June 2021	<u>12,714</u>	<u>4,377</u>	<u>17,091</u>
Accumulated depreciation			
At 1 July 2020	3,050	1,682	4,732
Charge for the year	1,466	1,044	2,510
Disposals	(3,675)	-	(3,675)
Impairment	138	1,566	1,704
At 30 June 2021	<u>979</u>	<u>4,292</u>	<u>5,271</u>
Net book value At 30 June 2021	<u>11,735</u>	<u>85</u>	<u>11,820</u>
	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>

13. 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 2020	1,074	4,176	5,250
Additions	11,729	-	11,729
Disposals	(493)	-	(493)
At 30 June 2021	12,310	4,176	16,486
Accumulated depreciation			
At 1 July 2020	809	1,500	2,309
Charge for the year	446	1,044	1,490
Disposals	(697)	-	(697)
Impairment	-	1,566	1,566
At 30 June 2021	558	4,110	4,668
Net book value At 30 June 2021	11,752	66	11,818

	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	1,074	4,176	5,250
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	809	1,500	2,309
Net book value At 30 June 2020	265	2,676	2,941

INGEUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) **FOR THE YEAR ENDED 30 JUNE 2021**

14. DEFERRED TAX ASSET

The deferred taxation asset is made up as follows:

	Group		Company	
	30 Jun 2021 £'000	30 Jun 2020 £'000	30 Jun 2021 £'000	30 Jun 2020 £'000
Balance at beginning of the year	-	-	-	-
Deferred tax credit	5,252	-	5,252	-
Balance at end of the year	<u>5,252</u>	<u>-</u>	<u>5,252</u>	<u>-</u>

Unrecognised deferred tax	Group		Company	
	30 Jun 2021 £'000	30 Jun 2020 £'000	30 Jun 2021 £'000	30 Jun 2020 £'000
Fixed assets	1,876	2,748	-	1,329
Losses	-	3,593	-	2,314
Short term timing differences	69	83	-	83
Losses	621	-	-	-
Accrued liabilities	-	1	-	-
Intangibles	2	22	-	-
Other	-	8	-	8
	<u>2,568</u>	<u>6,455</u>	<u>-</u>	<u>3,734</u>

15. OTHER RECEIVABLES – NON-CURRENT

	Group		Company	
	30 Jun 2021 £'000	30 Jun 2020 £'000	30 Jun 2021 £'000	30 Jun 2020 £'000
Accrued income	-	106	-	-
	<u>-</u>	<u>106</u>	<u>-</u>	<u>-</u>

16. INVESTMENTS

Company	30 Jun 2021 £'000	30 Jun 2020 £'000
Cost and carrying amount of directly owned investments		
CNLR Horizons Limited	<u>1,479</u>	<u>-</u>
	<u>1,479</u>	<u>-</u>

Further details of the company's direct and indirect subsidiaries are disclosed in note 30.

INGEUS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2021****17. TRADE AND OTHER RECEIVABLES – CURRENT**

	Group		Company	
	30 Jun	30 Jun	30 Jun	30 Jun
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Trade receivables	8,352	1,570	4,902	1,298
Other receivables	2,171	825	1,899	787
Amounts owed by group undertakings	21,009	-	23,948	-
Prepayments	6,763	14,852	6,758	13,525
Accrued income	11,476	6,319	5,056	1,571
	<u>49,771</u>	<u>23,566</u>	<u>42,563</u>	<u>17,181</u>

As at 30 June 2021 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 £18,854,000 (2020: £22,518,000). Trade receivables are stated after provisions for impairment of £237,000 (2020: £127,000).

For the Company, included in the amounts owed by group undertakings is impairment recognised on receivables of £21,119,000 (2020: £23,044,000). Trade receivables are stated after provisions for impairment of £55,000 (2020: £102,000).

18. CASH AND CASH EQUIVALENTS

	Group		Company	
	30 Jun	30 Jun	30 Jun	30 Jun
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Cash	15,247	1,497	9,655	401
	<u>15,247</u>	<u>1,497</u>	<u>9,655</u>	<u>401</u>

19. TRADE AND OTHER PAYABLES – CURRENT

	Group		Company	
	30 Jun	30 Jun	30 Jun	30 Jun
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Trade payables	3,511	2,124	3,186	1,215
Amounts owed to group undertakings	685	2,377	2,107	5,331
Other taxes and social security costs	8,471	8,117	7,640	5,416
Other payables	4,370	1,368	4,354	1,074
Accruals	9,828	9,311	6,681	3,214
Deferred income	18,001	24,447	13,971	21,096
	<u>44,866</u>	<u>47,744</u>	<u>37,939</u>	<u>37,346</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 2021**

20. TRADE AND OTHER PAYABLES – NON-CURRENT

	Group		Company	
	30 Jun 2021 £'000	30 Jun 2020 £'000	30 Jun 2021 £'000	30 Jun 2020 £'000
Other	400	-	400	-
Deferred income	1,321	3,063	-	-
	<u>1,721</u>	<u>3,063</u>	<u>400</u>	<u>-</u>

21. LEASE LIABILITY

Group:	30 Jun 2021 £'000	30 Jun 2020 £'000
Current	1,936	3,194
Between one and five years	12,048	3,384
	<u>13,984</u>	<u>6,578</u>
Company:	30 Jun 2021 £'000	30 Jun 2020 £'000
Current	1,688	1,610
Between one and five years	12,048	2,045
	<u>13,736</u>	<u>3,655</u>

Assets acquired under lease contracts are secured by the lessor's title to the leased assets. Total cash outflow for the Group is £3,203,000 (2020: £3,692,000). Total cash outflow for the Company is £1,809,000 (2020: £2,007,000).

22. 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. On termination of its contract on 25th June 2021, all employees transferred to HMPPS or providers within the Dynamic Framework along with the associate pension assets and liabilities.

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 an IAS19 rollforward from the previous valuation of the fund as at 25 June 2021 by a qualified independent actuary.

INGEUS UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2021**

22. POST-EMPLOYMENT BENEFIT (continued)

Net pension liability

	30 Jun 2021 £'000	30 Jun 2020 £'000
Defined benefit obligation	-	(262,065)
Plan assets	-	175,716
	<u>-</u>	<u>(86,349)</u>

Movements in present value of defined benefit obligation

	30 Jun 2021 £'000	30 Jun 2020 £'000
At the beginning of the year	(262,065)	(254,248)
Current service cost	(7,367)	(6,566)
Past service cost	(24)	(59)
Interest expense	(3,928)	(5,909)
Actuarial gain/(loss)	(19,345)	2,371
Contributions by members	(989)	(1,028)
Benefits paid	3,449	3,374
At point of transfer (25 June 2021)	<u>(290,269)</u>	<u>(262,065)</u>
Transfer	290,269	-
As the end of the year	<u>-</u>	<u>(262,065)</u>

Movements in fair value of plan assets

	30 Jun 2021 £'000	30 Jun 2020 £'000
At the beginning of the year	175,716	190,999
Interest income on plan assets	2,613	4,436
Return on plan assets less interest	29,189	(20,846)
Restructuring contribution by employer	188	251
Early retirement contributions by employer	288	881
Contribution by employer	2,397	2,341
Contribution by members	989	1,028
Benefits paid	(3,449)	(3,374)
At point of transfer (25 June 2021)	<u>207,931</u>	<u>175,716</u>
Transfer	<u>(207,931)</u>	<u>-</u>
As at the end of the year	<u>-</u>	<u>175,716</u>

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

	30 Jun 2021 £'000	30 Jun 2020 £'000
At the beginning of the year	(86,349)	(63,249)
Net interest expense	(1,315)	(1,475)
Re-measurement through other comprehensive income	5,344	(19,259)
Re-measurement through profit and loss	(4,518)	(2,366)
At point of transfer (25 June 2021)	<u>(86,838)</u>	<u>(86,349)</u>
Transfer	86,838	-
As at the end of the year	<u>-</u>	<u>(86,349)</u>

INGEUS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)**
FOR THE YEAR ENDED 30 JUNE 2021

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

	Year ended 30 Jun 2021 £'000	Year ended 30 Jun 2020 £'000
Contributions paid by the Group	(2,935)	(3,808)
Adjustment to current service cost	(4,518)	(2,366)
Adjustment to re-imbursement asset	4,518	2,366
Net interest on net defined benefit liability	1,315	(1,475)
Net interest on net re-imbursement asset	(1,315)	1,475
Total net recognised in Statement of Comprehensive Income	<u>(2,935)</u>	<u>(3,808)</u>

Total actuarial loss is comprised of:

	Year ended 30 Jun 2021 £'000	Year ended 30 Jun 2020 £'000
Changes in financial assumptions	(21,118)	(26,988)
Changes in demographic assumptions	(1,223)	6,515
Other experience	<u>2,996</u>	<u>22,844</u>
Total actuarial loss	<u>(19,345)</u>	<u>2,371</u>

	30 Jun 2021 £'000	30 Jun 2020 £'000
Actual return on plan assets	<u>29,189</u>	<u>(20,846)</u>

INGEUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2021

22. POST-EMPLOYMENT BENEFIT (continued)

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

	30 June 2021			30 June 2020		
	Quoted £'000	Unquoted £'000	Total £'000	Quoted £'000	Unquoted £'000	Total £'000
Equity Securities:						
Consumer	-	-	-	13,650	-	13,650
Manufacturing	-	-	-	12,003	-	12,003
Energy and Utilities	-	-	-	8,236	-	8,236
Financial Institutions	-	-	-	16,350	-	16,350
Health and Care	-	-	-	9,675	-	9,675
Information Technology	-	-	-	8,891	-	8,891
Other	-	-	-	2,449	-	2,449
Debt Securities:						
Corporate Bonds (investment grade)	-	-	-	9,130	-	9,130
UK Government	-	-	-	-	-	-
Other	-	-	-	4,998	-	4,998
Private Equity:						
All	-	-	-	-	10,131	10,131
Real Estate:						
UK Property	-	-	-	-	7,046	7,046
Investment Funds and Unit Trusts:						
Equities	-	-	-	17,307	-	17,307
Bonds	-	-	-	21,963	-	21,963
Infrastructure	-	-	-	-	9,534	9,534
Other	-	-	-	3,811	16,655	20,466
Derivatives:						
Other	-	-	-	-	-	-
Cash and Cash Equivalents:						
All	-	-	-	3,887	-	3,887
	-	-	-	132,350	43,366	175,716

Principal actuarial assumptions (expressed as weighted averages) at the year ends were as follows:

	30 Jun 2021	30 Jun 2020
	%	%
Discount rate	-	1.5
Future salary increase	-	2.9
Pension increase rate	-	2.1

In valuing the liabilities of the pension fund as at 25 June 2021, 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), 23.3 years (female)
- Future retiree upon reaching 65: 21.9 years (male), 25.3 years (female)

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

22. POST-EMPLOYMENT BENEFIT (continued)

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 2021 %	As at 30 Jun 2020 %	As at 30 Jun 2021 £'000	As at 30 Jun 2020 £'000
Change in assumption				
0.5% decrease Real Discount Rate	-	11%	-	30,316
0.5% increase in the Salary Increase Rate	-	1%	-	3,670
0.5% increase in the Pension Increase Rate (CPI)	-	10%	-	26,017

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% (2020: 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. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

Post retirement costs and contributions in the year

The CRC's make contributions into a defined contribution pension scheme "the Peoples Pension". The amount recognised as an expense for the defined contribution scheme was £206,000 (2020: £196,000). The amounts payable to the Peoples Pension as at 30 June 2021 was £nil (2020: £nil).

The amounts payable to the LGPS as at 30 June 2021, included within other payables, was £248,000 (2020: £291,000).

Included in the employees provisions (note 23) is a pensions provision of £nil (2020: £49,000) in relation to the employee restructuring program. During the year, £6,000 was released to the statement of comprehensive income (2020: £163,000 charged) and a contribution of £43,000 (2020: £251,000) was paid by the Group to the LGPS. These costs are not reimbursable by the MoJ.

Included in provisions (note 23) is a provision of £583,000 (2020: £468,000) 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 future ill health claims would cease at the point the contract ends.

INGEUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2021

22. POST-EMPLOYMENT BENEFIT (continued)

During the year, £662,000 was charged (2020: £483,000 was charged) to the statement of comprehensive income in relation to the ill-health costs. The amount paid during the year was £433,000 (2020: £881,000).

23. PROVISIONS

Group

	Lease dilapidations £'000	Other provision £'000	Onerous contract provision £'000	Employee provisions £'000	Ill health provision £'000	Total provision £'000
Balance at 1 July 2020	2,283	637	869	261	-	4,050
Transfer from accruals	-	-	-	-	227	227
Provisions made in the year	800	54	1,149	13	570	2,586
Provisions used in the year	(101)	(56)	(322)	(244)	(214)	(938)
Provisions released in the year	(1,441)	(566)	-	-	-	(2,007)
Balance at 30 June 2021	1,541	69	1,696	30	583	3,918
At 30 June 2021						
Current provisions	487	65	1,289	29	583	2,453
Non-current provisions	1,054	4	407	-	-	1,465
	1,541	69	1,696	29	583	3,918
At 30 June 2020						
Current provisions	200	302	763	261	-	1,526
Non-current provisions	2,083	335	106	-	-	2,992
	2,283	637	869	261	-	4,518

INGEUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2021

23. PROVISIONS (continued)

Company

	Lease dilapidations £'000	Other provision £'000	Onerous contract provision £'000	Employee provisions £'000	Total provision £'000
Balance at 1 July 2020	506	70	869	203	1,648
Provisions made in the year	907	53	326	-	1,286
Provisions used in the year	(187)	(56)	(322)	(203)	(768)
Provisions released in the year	-	-	-	-	-
Balance at 30 June 2021	1,226	67	873	-	2,166
At 30 June 2021					
Current provisions	172	64	465	-	701
Non-current provisions	1,054	3	408	-	1,465
	1,226	67	873	-	2,166
At 30 June 2020					
Current provisions	200	56	763	203	1,222
Non-current provisions	306	14	106	-	426
	506	70	869	203	1,648

Lease dilapidations

This provision represents the estimated lease dilapidation costs on the Group's 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 forecast to be loss-making over the contract term. 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.

INGEUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2021

24. SHARE CAPITAL

	Ordinary Number of Shares	
	30 Jun 2021	30 Jun 2020
On issue at the beginning of the year valued at £1 per share	4	4
Issued share capital at £1 per share	34,691,000	-
On issue at the end of the year valued at £1 per share	34,691,004	4

There are no restrictions on dividends or repayments of capital. The share capital was issued on 1st March 2021. The issue of shares consisted of non-cash consideration. £5,691,000 of the shares issued were offset against existing intercompany payable amounts. The remaining £29,000,000 was recognised as an intercompany receivable as at the issue date of which £8,000,000 had been settled as at the year end date.

25. 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 2021 and 30 June 2020.

(a) 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, excluding other taxes and social security costs, the amortised cost is deemed to reflect fair value.

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 2021 £'000	30 Jun 2020 £'000	30 Jun 2021 £'000	30 Jun 2020 £'000
Financial assets				
Cash and cash equivalents	15,247	1,497	15,247	1,497
Receivables	50,660	8,820	50,660	8,820
	<u>65,907</u>	<u>10,317</u>	<u>65,907</u>	<u>10,317</u>
Financial liabilities				
Trade and other payables	35,908	23,297	27,042	23,297
Lease liability	13,984	6,578	13,984	6,578
	<u>49,892</u>	<u>29,875</u>	<u>41,026</u>	<u>29,875</u>

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Fair values of financial instruments (continued)

Company	Carrying amount		Fair value	
	30 Jun 2021 £'000	30 Jun 2020 £'000	30 Jun 2021 £'000	30 Jun 2020 £'000
Financial assets				
Cash and cash equivalents	9,655	401	9,655	401
Receivables	44,538	3,656	44,538	3,656
	<u>54,193</u>	<u>4,057</u>	<u>54,193</u>	<u>4,057</u>
Financial liabilities				
Trade and other payables	32,700	16,250	32,700	16,250
Lease Liability	13,736	3,655	13,736	3,655
	<u>46,436</u>	<u>19,905</u>	<u>46,436</u>	<u>19,905</u>

(b) 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. The majority of customers are government institutions with an inherently low credit risk.

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 £65,907,000 (2020: £10,317,000) 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 £8,352,000 (2020: £1,697,000).

Credit quality of financial assets and impairment losses

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

Group	Gross		Impairment	
	30 Jun 2021 £'000	30 Jun 2021 £'000	30 Jun 2020 £'000	30 Jun 2020 £'000
Financial assets				
Not past due	5,621	-	1,334	-
Past due 0 - 30 days	1,918	36	61	-
Past due 31 - 120 days	501	114	89	4
Past 120 days	549	87	213	123
	<u>8,589</u>	<u>237</u>	<u>1,697</u>	<u>127</u>

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Credit risk (continued)

There was an impairment provision of trade receivables of £237,000 (2020: £127,000) at the year end. Trade receivables that are less than three months past due are not considered impaired. As of 30 June 2021 trade receivables of £2,731,000 (2020: £236,000) were past due but not impaired. Amounts in relation to government contracts have no history of default.

There was an impairment provision of intercompany receivables of £18,854,000 (2020: £22,518,000)

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.

(c) 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 group has no exposure to equity securities price risk.

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.

(d) 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.

(e) Foreign currency risk

The Group and Company trade mainly in sterling and therefore has no significant currency risk. Significant overseas financing arrangements are also mostly in sterling. There is some foreign currency risk presented by financing arrangements in CAD and USD.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)
(f) 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 2021				
	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	35,908	35,908	35,908	-	-
Lease liability	13,984	17,334	3,034	3,712	10,588
	<u>49,892</u>	<u>53,242</u>	<u>38,942</u>	<u>3,712</u>	<u>10,588</u>
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
	<u>29,875</u>	<u>29,875</u>	<u>26,491</u>	<u>2,612</u>	<u>772</u>
Company	Year ended 30 June 2021				
	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	32,700	32,700	32,700	-	-
Lease Liability	13,736	17,039	2,857	3,594	10,588
	<u>46,436</u>	<u>49,739</u>	<u>35,557</u>	<u>3,594</u>	<u>10,588</u>
	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>

INGEUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2021

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(g) 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 24).

26. RELATED PARTY TRANSACTIONS

Group

	Transaction value for the year ended		Balance outstanding as at	
	30 Jun 2021 £'000	30 Jun 2020 £'000	30 Jun 2021 £'000	30 Jun 2020 £'000
Management charges				
Ingeus Europe Limited	-	(1,121)	-	(1,329)
Serendipity (WA) Pty Limited	755	(692)	(115)	(870)
Advanced Personnel Management Group (UK) Limited	-	(88)	-	(88)
Transactions on behalf of related party				
Ingeus Europe Limited	(3,926)	4,203	4,957	8,974
Advanced Personnel Management Group (UK) Limited	538	179	619	189
Ingeus PTE. Ltd (Singapore)	(30)	-	30	-
WCG (Canada)	(56)	-	56	-
Ingeus GmbH (Germany)	(2)	-	2	-
Serendipity (WA) Pty Limited	1,375	-	(571)	-
Loans				
Ingeus Europe Limited - receivable	(311)	412	100	412
Ingeus Europe Limited – payable	-	-	-	(90)
Advanced Personnel Management Group (UK) Limited	(48)	12,943	13,099	12,943
Advanced Personnel Management Group (UK) Limited	(21,000)	-	21,000	-
Impairment provision	3,664	(11,296)	(18,854)	(22,518)
			<u>20,323</u>	<u>(2,377)</u>
Summary				
Amounts owed by group undertakings (net of impairment) (note 17)			21,009	-
Amounts owed to group undertakings – current (note 19)			(686)	(2,377)
Net balance owed to group undertakings			<u>20,323</u>	<u>(2,377)</u>

INGEUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2021

26. RELATED PARTY TRANSACTIONS (continued)

Company

	Transaction value for the year ended		Balance outstanding as at	
	30 Jun 2021 £'000	30 Jun 2020 £'000	30 Jun 2021 £'000	30 Jun 2020 £'000
Management charges				
Ingeus Europe Limited	-	-	-	-
Serendipity (WA) Pty Limited	1,648	(578)	-	(755)
The Staffordshire and West Midlands Community Rehabilitation Company Limited	-	(171)	-	-
The Derbyshire, Leicestershire, Nottinghamshire and Rutland Community Rehabilitation Company Limited	-	(144)	-	-
Transactions on behalf of related party				
ITL Training Limited	-	(4,942)	(1,536)	(1,536)
Serendipity (WA) Pty Limited	1,375	-	(571)	-
Ingeus Europe Limited	(311)	(4,319)	100	412
The Reducing Reoffending Partnership Limited	(951)	(970)	1,323	3,127
The Staffordshire and West Midlands Community Rehabilitation Company Limited	6,372	(1,789)	1,299	550
The Derbyshire, Leicestershire, Nottinghamshire and Rutland Community Rehabilitation Company Limited	4,090	(1,194)	1,002	452
Advanced Personnel Management Group (UK) Limited	570	179	758	189
Invisage Limited	-	1,544	1,566	1,566
CNLR Horizons Limited	236	-	236	-
Ingeus PTE. Ltd (Singapore)	30	-	32	-
WCG (Canada)	56	-	56	-
Loans				
Ingeus Europe Limited	(3,926)	3,926	-	3,926
The Staffordshire and West Midlands Community Rehabilitation Company Limited	431	3,719	-	(431)
The Derbyshire, Leicestershire, Nottinghamshire and Rutland Community Rehabilitation Company Limited	3,492	(2,592)	-	(3,492)
The Reducing Reoffending Partnership Limited	1,190	961	4,346	3,155
Advanced Personnel Management Group (UK) Limited	2,549	10,550	13,099	10,550
CNLR Horizons Limited	250)	-	250	-
APM Group Pty Limited	21,000	-	21,000	-
Impairment provision	1,925	(8,601)	(21,119)	(23,044)
			21,841	(5,331)
Summary				
Amounts owed by group undertakings (net of impairment) (note 17)			23,948	-
Amounts owed to group undertakings – current (note 19)			(2,107)	(5,331)
Net balance owed to group undertakings			21,841	(5,331)

INGEUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2021

26. 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.

27. 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 a fellow subsidiary APM Global Holdings Pty Ltd to the security beneficiaries set out in APM Global Holdings Pty Ltd facility agreement.

28. OTHER RESERVES

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.

29. EVENTS AFTER THE REPORTING DATE

There are no subsequent events after the balance date.

30. SUBSIDIARY COMPANIES

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

Name	Country	% ordinary share capital ownership	
		30 Jun 2021	30 Jun 2020
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%	100%
The Derbyshire Leicestershire Nottinghamshire and Rutland Community Rehabilitation Company Limited ^{1,3}	UK	100%	100%
The Staffordshire and West Midlands Community Rehabilitation Company Limited ^{1,3}	UK	100%	100%
Ability Insight Limited* ¹	UK	100%	100%
CNLR Horizons Limited ¹	UK	100%	-

* Dormant company

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

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

³ This company is a subsidiary of The Reducing Reoffending Partnership Limited.

INGEUS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)**
FOR THE YEAR ENDED 30 JUNE 2021

31. 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 Limited and is the ultimate Parent Company and controlling party at balance date. The ultimate Parent Company 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>.