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Seetec Business Technology Centre Limited and Subsidiaries

Annual report and consolidated financial statements

Registered number 02291188

31 March 2017

Contents

Strategic Report

Review of Business

The Group of companies delivers people centred, public and business services contracts across the skills, employment and health and justice markets in the UK and Ireland.

The year ended 31 March 2017 saw a change to the revenue mix across these sectors as the respective contracts reached different stages of their lifecycle. The Group has provided the level of investment and risk capital to support its on-going trading, business transformation specifically through the development of IT platforms for the justice business and on-going financial support to the business in Ireland, without the necessity for external funding.

In the UK, the existing contract pipeline was delivered by members of the Group and our supply chain partners on behalf of the Department for Work and Pensions, Ministry of Justice and the Department for Education. This included:

- Skills: Apprenticeships, classroom based training using the Adult Education Budget and ESF contracts including those directed at NEET (young people not in education, employment or training) and individuals in employment requiring additional skills training to meet Local Employment Partnership priorities.
- Employability provision supporting the long term unemployed including: Work Programme and Work Choice.
- Justice: delivering Transforming Rehabilitation and probation services through the ownership of the Kent, Surrey and Sussex Community Rehabilitation Company Limited (KSS CRC Ltd).

In Ireland the organisation continued to deliver JobPath for the Department of Employment Affairs and Social Protection, through its subsidiary, Seetec Employment and Skills Ireland Designated Activity Company.

In May 2016 the Group acquired the whole share capital of Outsource Education Group, an established skills provider with a number of key client accounts including Sky and British Airways and a strong pipeline of future accounts. This acquisition was part of the Group's investment strategy in skills to ensure the business was well positioned to provide services to employers under new funding arrangements, namely the Apprenticeship Levy introduced in May 2017.

After the financial year end an opportunity was secured to deliver Apprenticeships in Northern Ireland. Implementation and delivery will take place throughout FY18.

At the year end the Group had over 100 offices and employed 1,300 members of staff in the UK and Ireland.

Strategic priorities and external environment

The Group's 5 year business plan, which is updated annually, articulates the vision and strategic priorities for the Group. It outlines key strategic objectives for each business unit designed to position Group companies to deliver economic and social value through publically procured and directly engaged employer (business) contracts. These include:

- Delivering value for money for commissioners and social value for individuals and communities through our contract portfolio;
- an engaged and productive workforce, where employees take a collective responsibility to drive outcomes, manage risk, own a culture of continual improvement and contribute to the growth of the business.
- working collaboratively and consultatively with businesses and other stakeholders to find innovative ways to use funding to increase outcomes.
- putting the service user at the heart of the delivery model, driving service user satisfaction and building service user input into delivery;
- exceeding benchmarks for quality standards through delivery of a world class service.

The above strategic objectives sit across all business units and form the basis of our service design principles.

Strategic Report *(continued)*

Strategic priorities and external environment *(continued)*

During the period the Group has used the cash reserves built-up to invest in the strategic growth areas, diversification and the transformation of the employability, skills and justice market. The Group has continued to make substantial investments in personnel with sector specific expertise, new information technology, including delivery innovation, high quality corporate infrastructure and premises for service users to support growth in existing and new markets in the UK and Ireland.

Public and business services policy reform provide growth opportunities for the Group which include but are not limited to: the introduction of the Apprenticeship Levy in the UK; Prison reform, with a particular focus on education, training, employment and rehabilitation outcomes; the increase in the integration of health, education and employment outcomes in public procurement and focus on social value; and devolution of purchasing, particularly of employment and skills provision to Local Enterprise Partnerships and devolved authorities. In Ireland declining live registers coupled with a buoyant economy with a commitment to reforming Apprenticeships provides the business with the opportunity to diversify and transfer the investment in our skills infrastructure into new geographical markets.

The results for the year and financial position of the Company and Group are as shown in the annexed financial statements.

Principal Risks and Uncertainties

The Group is subject to the normal commercial risks that arise in the ordinary course of business. These risks are reviewed by the Board of Directors through its Corporate Governance and risk management strategy. A comprehensive Group Risk and Assurance strategy is in place which enables the Board and senior managers to manage risk appetite, identify, analyse, quantify, and embrace risk leading to enhanced performance and ability to maximise opportunities.

The key business risks are the Group's reliance upon income from Government funded contracts, the wholesale changes to Levy and non-Levy funding in the skills market and the delays in IT systems implementation in the public sector

Our diversification strategy, investment in sales and marketing resources and growth objectives in the skills market, which are now driven by employer demand rather than publically procured contracts, mitigate the risk of reliance on government funding from a single source. The Board has a policy to maintain sufficient reserves to support our payment by results contracts and our diversification strategy into new markets.

As a private company operating in the public and business services markets, the organisation strives to demonstrate ethical leadership and governance, and to deliver both social and economic value in the communities in which we operate. The organisation became B-Corp certified in 2016 underpinning the Board's commitment to corporate social responsibility, transparency, scrutiny and accountability in both the services delivered and the way the organisation is run.

The organisation continues to emphasise the importance of quality of delivery, supported by a number of reaccreditations across the business units. Both Seetec and Outsource maintained Ofsted Grade 2, underpinning the quality of our Apprenticeship offer to employers. The KSS CRC received very positive feedback from HMIP on the standards of service to service users, whilst SESI received very positive customer feedback through its satisfaction surveys. Investors in People Gold and Health and Wellbeing, Matrix accreditation and continual review and reaccreditation of our Information Security ISO 27001 standard also support the importance of quality standards in the organisation. The business is preparing for the introduction of General Data Protection Regulation (GDPR) across the Group.

As an organisation operating in the UK and Europe, Brexit poses a risk. The Board has a Brexit response plan which is regularly reviewed through the appropriate Governance channels. Exposure as a result of foreign exchange movements have been minimised now that Seetec Employment and Skills Ireland Designated Activity Company is now generating sufficient working capital to support trading.

Strategic Report *(continued)*

Business Performance - Key Performance Indicators

Seetec is a member of the B-Corp community. B Corps are certified by the non-profit B Lab to meet rigorous standards of social and environmental performance, accountability, and transparency. The company uses economic, social and environmental key performance indicators to monitor the performance of the business ensuring that an approach is taken to assessing business performance that recognises the social and environmental impact of activities rather than financial performance alone:

	2017 £'000	2016 £'000
Turnover	£79,599	£82,722
Profit before tax	£4,368	£10,140
Payroll costs to sales ratio (excl. directors' remuneration)	48.2%	44.7%

Employee engagement and wellbeing is a key indicator for the business. Employee engagement surveys undertaken in 2016 indicated 69% overall and 62% wellbeing indicators. In a context of a new business unit start up in Ireland across 2015/16, transfer in of KSS CRC in 2015 and the start of contract realignment in our employability and skills business, these outcomes underscore the businesses' commitment to keeping our employees at the heart of the business.

By order of the board

J Baumback
Secretary

14\12/17

Directors' report

Dividends

Dividends totalling £3,000,000 were paid during the year to 31 March 2017. No dividends have been paid since the year end.

Directors

The directors who held office during the year were as follows:

P A Cooper
J Baumback
L Barry
J P Nutter (resigned 6 April 2016)
A Bunney
D J Reynolds (non-executive director)
A Butt (non-executive director, appointed 17 November 2016)

Employees

The group places considerable value on the involvement of its employees in the business and keeps them informed of matters affecting them and on various factors affecting the performance of the business units. This is achieved principally through formal and informal meetings, the Group's employee engagement strategy and the intranet site. Through the Employee forums that run in each business unit, employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. In addition, within KSS CRC Ltd this is undertaken with trade union representation.

Disabled Employees

The Group is committed to a policy of Equal Opportunities with regards to its employment practices and procedures. The Group remains supportive of the employment and advancement of disabled persons and ensures its promotion and recruitment practices are fair and objective. The Group has a 'Diversity Policy' which includes its clear obligations towards employees or prospective employees to ensure that people with disabilities are afforded equal employment and development opportunities.

Equality of Opportunity

Seetec is committed to the principle of equal opportunities and equal treatment for all employees. As required under the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 we have calculated our gender pay gap using the required analysis in order to show the difference between the average earnings of men and women across our business.

Gender Pay Gap reporting is not to be confused with Equal Pay; as an organisation Seetec has always been committed to ensuring they do not pay men and women differently for doing the same or equivalent work. The Gender Pay Gap is as a result of the roles which men and women are employed in and the salaries these roles attract.

Our report illustrates a mean gender pay gap of 18.31% and a median gap of 10.80%. These figures are representative of an employee base where 41.5% are male and 58.5% are female. Our figures are in line with the national average and it is clear from the data that our gender imbalance is within the top quartile of our business.

Directors' report *(continued)*

Political contributions

Neither the Company nor any of its subsidiaries make any political donations or incurred any political expenditure during the year.

Corporate governance

The Group's Board of Directors has 6 members including 2 NED's and meets approximately 4 times a year. The business of the group is dealt with by the Group Executive Board (GEB) which consists of the members of the main Board along with the Group HR Director, Infrastructure and Corporate Services Director, Group Justice Director and the Chief Executives of the other business units. The GEB meets monthly. Executive Boards for each business unit report directly into the GEB as do all Corporate Services Directorates. Each business holds a series of monthly meetings reporting up to the monthly Executive Board for that Business. Scrutiny of the Executive is provided through two committees the Audit, Risk and Assurance committee and the Finance, Pay and Remuneration Committee. Each meeting is held quarterly and is chaired by a Non-Executive Director.

Governance structures within the Seetec Group are designed to deliver public and business services from a commercial environment built upon the principles of transparency, clarity and honest accountability. The accountability framework is built on clear communication and understanding of roles and responsibilities, robust performance, financial, risk and information management systems which integrates into the parent company board structures. Additional intra-organisation communication is enhanced by instituting protocols for operational agreements.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make him/herself aware of any relevant audit information and to establish that the group's auditor is aware of that information.

Other information

An indication of likely future developments in the business and particulars of significant events that have occurred since the end of the financial year have been included in the Strategic report. Delays to IT projects across various commissioners which will impact on delivery have extended investment and cash flow requirements during the financial year and beyond.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

J Baumback
Secretary

75-77 Main Road
Hockley
Essex
SS5 4RG
Date: 14/12/17

Statement of directors' responsibilities in respect of the annual report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

KPMG

Botanic House
100 Hills Road
Cambridge
CB2 1AR
United Kingdom

Independent auditor's report to the members of Seetec Business Technology Centre Limited and Subsidiaries

We have audited the financial statements of Seetec Business Technology Limited for the year ended 31 March 2017 as set out on pages 9 to 40. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2017 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and

- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

S Beavis

Stephanie Beavis (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
100 Hills Road
Cambridge
CB2 1AR

Date: 20 December 2017

Consolidated Profit and Loss Account
for year ended 31 March 2017

	Note	2017 £000	2016 £000
Turnover	*3*	**79,599**	82,722
Cost of sales		**(50,454)**	(48,465)
Gross profit		**29,145**	34,257
Administrative expenses	*5*	**(25,132)**	(24,652)
Other operating income	*4*	**8**	227
Group operating profit		**4,021**	9,832
Other interest receivable and similar income	*8*	**355**	311
Interest payable and similar charges	*9*	**(8)**	(3)
Profit on ordinary activities before taxation		**4,368**	10,140
Tax on profit on ordinary activities	*10*	**(2,118)**	(2,704)
Profit for the financial year		**2,250**	7,436

Consolidated Other Comprehensive Income
for year ended 31 March 2017

	2017 £000	2016 £000
Profit for the year	**2,250**	7,436
Other comprehensive income		
Foreign exchange differences on translation of foreign operations	**350**	108
Remeasurement of pension liability	**(2,009)**	4,759
Remeasurement of pension asset	**2,009**	(4,759)
Total comprehensive income for the year	**2,600**	7,544

The notes on pages 15 to 40 form an integral part of the financial statements.

Consolidated Balance Sheet
at 31 March 2017

	Note	2017 £000	2017 £000	2016 £000	2016 £000
Fixed assets					
Other intangibles	*11*		3,573		1,674
Pension reimbursement asset	*20*		13,487		10,206
Tangible assets	*12*		5,365		4,294
			22,425		16,174
Current assets					
Debtors	*14*	12,413		9,563	
Cash at bank and in hand	*15*	33,379		49,959	
		45,792		59,522	
Creditors: amounts falling due within one year	*16*	(12,286)		(14,480)	
Net current assets			33,506		45,042
Total assets less current liabilities			55,931		61,216
Creditors: amounts falling due after more than one year	*17*		(312)		(1,026)
Provisions for liabilities					
Other provisions	*19*	(5,113)		(12,565)	
Pension liability	*20*	(13,487)		(10,206)	
			(18,600)		(22,771)
Net assets			37,019		37,419
Capital and reserves					
Called up share capital	*21*		666		666
Capital redemption reserve	*21*		10		10
Profit and loss account	*21*		36,343		36,743
Shareholders' funds			37,019		37,419

The notes on pages 15 to 40 form an integral part of the financial statements.

These financial statements were approved by the board of directors on 14\12\2017 and were signed on its behalf by:

P A Cooper
Director
Company registered number: 02291188

Company Balance Sheet
at 31 March 2017

	Note	2017 £000	2017 £000	2016 £000	2016 £000
Fixed assets					
Intangible assets					
Other intangibles	11		2,959		1,674
Tangible assets	12		1,394		1,950
Investments	13		1,293		156
			5,646		3,780
Current assets					
Debtors	14	18,144		11,560	
Cash at bank and in hand		30,944		46,115	
		49,088		57,675	
Creditors: amounts falling due within one year	16	(8,345)		(11,681)	
Net current assets			40,743		45,994
Total assets less current liabilities			46,389		49,774
Creditors: amounts falling due after more than one year	17		(312)		(1,026)
Provisions for liabilities					
Other provisions	19	(3,083)		(9,973)	
			(3,083)		(9,973)
Net assets			42,994		38,775
Capital and reserves					
Called up share capital	21		666		666
Capital redemption reserve	21		10		10
Profit and loss account	21		42,318		38,099
Shareholders' funds			42,994		38,775

The notes on pages 15 to 40 form an integral part of the financial statements.

These financial statements were approved by the board of directors on 14/12/2017 and were signed on its behalf by:

P A Cooper
Director

Company registered number: 02291188

Consolidated Statement of Changes in Equity

	Called up Share capital	Capital redemption reserve	Profit & loss account	Total equity
	£000	**£000**	**£000**	**£000**
Balance at 1 April 2015	666	10	31,199	31,875
Total comprehensive income for the period				
Profit for the year	-	-	7,436	7,436
Other comprehensive income	-	-	108	108
Transactions with owners, recorded directly in equity				
Dividends	-	-	(2,000)	(2,000)
Balance at 31 March 2016	**666**	**10**	**36,743**	**37,419**

	£000	**£000**	**£000**	**£000**
Balance at 1 April 2016	666	10	36,743	37,419
Total comprehensive income for the period				
Profit for the year	-	-	2,250	2,250
Other comprehensive income	-	-	350	350
Transactions with owners, recorded directly in equity				
Dividends	-	-	(3,000)	(3,000)
Balance at 31 March 2017	**666**	**10**	**36,343**	**37,019**

The notes on pages 15 to 40 form an integral part of the financial statements.

Company Statement of Changes in Equity

	Called up Share capital	Capital redemption reserve	Profit & loss account	Total equity
	£000	**£000**	**£000**	**£000**
Balance at 1 April 2015	666	10	30,827	31,503
Total comprehensive income for the period				
Profit for the year	-	-	9,272	9,272
Transactions with owners, recorded directly in equity				
Dividends	-	-	(2,000)	(2,000)
Balance at 31 March 2016	**666**	**10**	**38,099**	**38,775**

	£000	**£000**	**£000**	**£000**
Balance at 1 April 2016	666	10	38,099	38,775
Total comprehensive income for the period				
Profit for the year	-	-	7,219	7,219
Transactions with owners, recorded directly in equity				
Dividends	-	-	(3,000)	(3,000)
Balance at 31 March 2017	**666**	**10**	**42,318**	**42,994**

The notes on pages 15 to 40 form an integral part of the financial statements.

Consolidated Cash Flow Statement

for year ended 31 March 2017

	Note	2017	2016
		£000	£000
Cash flows from operating activities			
Profit for the year		**2,250**	7,436
Adjustments for:			
Depreciation, amortisation and impairment		**2,422**	1,432
Foreign exchange losses		**200**	108
Interest receivable and similar income		**(355)**	(311)
Interest payable and similar charges		**8**	3
Loss on sale of tangible fixed assets		**16**	11
Taxation		**2,118**	2,704
		6,659	11,383
(Increase)/decrease in trade and other debtors		**(1,908)**	6,032
Decrease in trade and other creditors		**(1,906)**	(6,526)
(Decrease)/increase in provisions and employee benefits		**(7,452)**	990
		(4,607)	11,879
Interest paid		**(8)**	(3)
Tax paid		**(4,210)**	(2,714)
Net cash from operating activities		**(8,825)**	9,162
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		**2**	-
Interest received		355	311
Acquisition of a subsidiary		**(1,192)**	(200)
Acquisition of tangible fixed assets	*12*	**(2,534)**	(3,166)
Capitalised development expenditure	*11*	**(1,391)**	(1,699)
Net cash from investing activities		**(4,760)**	(4,754)
Cash flows from financing activities			
Repayment to directors		**5**	(12)
Dividends paid	*20*	**(3,000)**	(2,000)
Net cash from financing activities		**(2,995)**	(2,012)
Net (decrease)/increase in cash and cash equivalents		**(16,580)**	2,396
Cash and cash equivalents at 1 April		**49,959**	47,563
Cash and cash equivalents at 31 March	*15*	**33,379**	49,959

The notes on pages 15 to 40 form an integral part of the financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

Seetec Business Technology Centre Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included;
- No separate parent company Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation has not been included.
- Certain disclosures required by FRS 102.26 Share Based Payments; and,
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 25.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company will be able to operate within the level of its current facilities. After making enquiries, the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Notes *(continued)*

1 Accounting policies *(continued)*

1.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2017. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

1.4 Foreign currency

Transactions in foreign currencies are translated to the Group companies' functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income.

1.5 Classification of financial instruments issued by the group

In accordance with FRS 102.22, financial instruments issued by the group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the group; and

(b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Notes *(continued)*

1 Accounting policies *(continued)*

1.6 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognition in profit or loss. Other investments are measured at cost less impairment in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.7 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- leasehold improvement — over the duration of the lease
- plant and machinery — over 4 years
- computer hardware — over 4 years
- computer software — over 3 years
- fixtures and equipment — over 6 years
- motor vehicles — over 4 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Notes *(continued)*

1 Accounting policies *(continued)*

1.8 Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity.

At the acquisition date, the group recognises goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

When the excess is negative, this is recognised and separately disclosed on the face of the balance sheet as negative goodwill.

Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition.

1.9 Intangible assets, goodwill and negative goodwill

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- capitalised development costs — over 10 years
- goodwill — over 2 years
- customer contracts — over 2 years

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

Notes *(continued)*

1 Accounting policies *(continued)*

1.10 Impairment excluding stocks, investment properties and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the entity's non-financial assets, other than investment property, stocks and 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. 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 the purpose of 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"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire group of entities into which it has been integrated.

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 profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. 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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.11 Employee benefits

Short term employee benefits

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

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined contribution plan - Local Government Pension Scheme

Employees who transferred to the Kent, Surrey and Sussex Community Rehabilitation Company Limited (the CRC) from Kent Probation Trust, Surrey and Sussex Probation Trust Staff who were previously enrolled in the Local Government Pension Scheme (LGPS) were covered by the Staff Transfer Scheme (STS)*. This scheme is closed to new employees who are not covered by the STS.

Eligible employees are covered by the provisions of the LGPS. This 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 assets are insufficient to meet retirement benefits. The pension fund is subject to an independent triennial actuarial valuation to determine each employer's contribution rate. The last triennial review was conducted 31 March 2016.

From 1 June 2014 the CRC became a member of the Greater Manchester Pension Fund (GMPF). The assets and liabilities relating to the former Probation Trust staff that transferred to the company were transferred from either the East Sussex LGPS or the Kent LGPS to GMPF.

The responsibility for funding the past service liabilities and all future contributions associated with those original employees who are active members of the LGPS transferred with the employee to the new employer, the CRC. The MoJ ensures that the past service liabilities are 100% funded on an on-going basis from the date employees transferred to the CRC.

The Secretary of State for Justice has provided a guarantee to the GMPF in respect of the CRCs' participation in the GMPF for pension liabilities that transfer to the CRCs. Any variation from a contribution rate of 14% is recharged/refunded to/by the MoJ under the contract.

On this basis, the scheme has been accounted for as a defined contribution scheme and no liability in respect of any pension deficit has been recognised on the balance sheet. A corresponding pension reimbursement asset due from the MoJ has also been recognised. Movements in the defined benefit pension scheme liability and the reimbursement asset are recognised in the appropriate caption in the profit and loss account and statement of other comprehensive income.

* *Under the Staff Transfer Scheme and incorporated into the contract between the CRC and MoJ, staff transferring from the NPS into the CRC, or eligible staff transferring from other CRCs are entitled to continue to be enrolled under the LGPS as administered by GMPF*

Termination benefits

Termination benefits are recognised as an expense when the entity is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the entity has made an offer of voluntary redundancy, it is probably that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Notes *(continued)*

1 Accounting policies *(continued)*

1.12 Provisions

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the parent Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability in its individual financial statements until such time as it becomes probable that the company will be required to make a payment under the guarantee.

1.13 Turnover

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

The company recognises turnover when (a) the relevant invoicing period has ended; (b) the amount of turnover can be measured reliably; (c) it is probable that future economic benefits will flow to the entity.

Interest income is recognised when received.

1.14 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Notes *(continued)*

1 Accounting policies *(continued)*

1.15 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2 Acquisitions and disposal of businesses

Acquisitions in the current period

On 20 May 2016, the Group acquired all of the shares of Outsource Education Group Limited and subsidiary companies and Advanced Policing Solutions Limited for £1,137,263. The companies deliver skills training. These businesses contributed revenue of £3.48m and net loss of £164,000 to the revenue and net profit for the year.

Effect of acquisition

The acquisition had the following effect on the Company's/Group's assets and liabilities.

	Book values £000	**Fair value adjustments £000**	**Recognised values on acquisition £000**
Acquiree's net assets at the acquisition date:			
Customer contracts	138	971	1,109
Tangible fixed assets	59	-	59
Trade and other debtors	441	-	441
Cash	90	-	90
Trade and other creditors	(674)	-	(674)
Net identifiable assets and liabilities	54	971	1,025
Total cost of business combination:			
Consideration paid: Initial cash price paid			1,137
Goodwill on acquisition			112

Notes *(continued)*

2 Acquisitions and disposals of businesses *(continued)*

***Acquisitions in the current period** (continued)*

The book values were deemed fair value at the date of acquisition so no adjustment was required. The investment value was subject to an impairment adjustment during the year to bring the carrying value in line with the above values.

Contingent consideration

The company has agreed to pay the vendors an additional consideration to reimburse them for the net asset position of the company.

The Sale and Purchase Agreement for the acquisition of Outsource included an earn out clause.

Acquisitions in the prior period

During the previous period the Group acquired all of the shares of Digital youth Academy Limited for £200,000. The company delivered skills training. The business contributed revenue of £19,011 and net loss of £9,962 to the revenue and net profit for the comparative year.

3 Turnover

	2017 £000	2016 £000
Contract Income	**77,619**	81,515
Services Income	**1,980**	1,207
Total turnover	**79,599**	82,722

4 Other operating income

	2017 £000	2016 £000
Income from property	**8**	-
Lease premium on termination	**-**	225
Capital grant income	**-**	2
	8	227

Notes *(continued)*

5 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2017 £000	2016 £000
Depreciation of owned assets	**1,654**	1,363
Amortisation of intangible assets	**713**	25
Impairment of investments	**55**	44
Rentals under operating leases	**2,466**	2,035

Auditor's remuneration:

	2017 £000	2016 £000
Audit of these financial statements	57	62
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	61	31
Taxation compliance services	26	22
Corporate finance services	110	133

6 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	Number of employees 2017	2016
Operational staff	**934**	815
Administration and management staff	**449**	441
	1,383	1,256

The aggregate payroll costs of these persons were as follows:

	2017 £000	2016 £000
Wages and salaries	**35,068**	32,708
Social security costs	**3,306**	2,646
Contributions to defined contribution plans	**279**	249
Expenses related to defined benefit plans	**1,257**	1,379
	39,910	36,982

Notes *(continued)*

7 Directors' remuneration

	2017	2016
	£000	£000
Directors' remuneration	**1,501**	1,757
Company contributions to money purchase pension plans	**35**	69

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £420,800 *(2016:£420,800)*, and company pension contributions of £8,756 *(2016:£8,756)* were made to a money purchase scheme on their behalf.

	Number of directors	
	2017	2016
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**6**	6

8 Other interest receivable and similar income

	2017	2016
	£000	£000
Bank interest receivable	**355**	311
Total interest receivable and similar income	**355**	311

9 Interest payable and similar charges

	2017	2016
	£000	£000
Bank interest payable	**8**	3
Total other interest payable and similar charges	**8**	3

The interest in respect of the defined benefit pension scheme and the pension reimbursement asset offset one another. The gross interest on the defined benefit pension scheme is £383 (2016: £440) as is set out in note 20.

Notes *(continued)*

10 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2017 £000	2017 £000	2016 £000	2016 £000
Current tax				
Current tax on income for the period		558		2,947
Adjustments in respect of prior periods		(175)		-
Total current tax		383		2,947
Deferred tax (see note 18)				
Adjustments in respect of prior periods	471		(358)	
Origination and reversal of timing differences	1,150		(149)	
Change in tax rate	114		264	
Total deferred tax		1,735		(243)
Total tax		2,118		2,704

Reconciliation of effective tax rate

	2017 £000	2016 £000
Profit for the year	2,111	7,436
Total tax expense	2,118	2,704
Profit excluding taxation	4,229	10,140
Tax using the UK corporation tax rate of 20% (2016: 20%)	846	2,028
Reduction in tax rate on deferred tax balances	114	281
Non-deductible expenses	-	856
Tax exempt revenues	-	(94)
Depreciation in excess of capital allowances	62	24
Deferred tax asset not recognised	800	-
Under / (over) provided in prior years	296	(391)
Total tax expense included in profit or loss	2,118	2,704

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2013. A further reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 March 2017 has been calculated based on these rates.

Notes *(continued)*

11 Intangible assets and goodwill

Group	Goodwill £000	Customer Contracts £000	Development costs £000	Total £000
Cost				
Balance at 1 April	-	-	1,699	1,699
Other acquisitions – internally developed	-	-	1,059	1,059
Other acquisitions – externally purchased	112	1,109	332	1,553
Balance at 31 March	112	1,109	3,090	4,311
Amortisation and impairment				
Balance at 1 April	-	-	25	25
Amortisation for the year	56	551	106	713
Balance at 31 March	56	551	131	738
Net book value				
At 1 April	-	-	1,674	1,674
At 31 March	**56**	**558**	**2,959**	**3,573**

Amortisation and impairment charge

The amortisation, impairment charge and impairment reversals are recognised in the following line items in the profit and loss account:

	2017 £000	2016 £000
Administrative expenses	**713**	25

Notes *(continued)*

11 Intangible assets and goodwill (continued)

Company	**Development costs £000**
Cost	
Balance at 1 April	1,699
Other acquisitions – internally developed	1,059
Other acquisitions – externally purchased	332
Balance at 31 March	3,090
Amortisation and impairment	
Balance at 1 April	25
Amortisation for the year	106
Balance at 31 March	131
Net book value	
At 1 April	1,674
At 31 March	**2,959**

Capitalised development costs are not treated as a realised loss for the purpose of determining the Company's distributable profits as the costs meet the conditions requiring them to be treated as an asset in accordance with FRS 102 Section 18.

Notes *(continued)*

12 Tangible fixed assets

Group	Short leasehold £000	Plant and Equipment £000	Fixtures & fittings £000	Motor vehicles £000	Total £000
Cost					
Balance at 1 April	4,687	5,132	775	867	11,461
Acquisitions through business combinations	35	15	9	-	59
Other acquisitions	405	2,039	74	16	2,534
Disposals	-	(26)	(9)	(14)	(49)
Effect of movements in foreign exchange	99	50	13	-	162
Balance at 31 March	5,226	7,210	862	869	14,167
Depreciation and impairment					
Balance at 1 April	2,903	2,949	543	772	7,167
Depreciation charge for the year	467	1,074	62	51	1,654
Disposals	-	(17)	-	(14)	(31)
Effect of movements in foreign exchange	4	7	1	-	12
Balance at 31 March	3,374	4,013	606	809	8,802
Net book value					
At 1 April	1,784	2,183	232	95	4,294
At 31 March	**1,852**	**3,197**	**256**	**60**	**5,365**

Company	Short Leasehold £000	Plant and Equipment £000	Fixtures & fittings £000	Motor vehicles £000	Total £000
Cost					
Balance at 1 April	3,413	4,102	604	73	8,192
Acquisitions	35	260	-	16	311
Disposals	-	(20)	-	(14)	(34)
Balance at 31 March	3,448	4,342	604	75	8,469
Depreciation and impairment					
Balance at 1 April	2,854	2,800	533	55	6,242
Depreciation charge for the year	235	594	23	11	863
Disposals	-	(16)	-	(14)	(30)
Balance at 31 March	3,089	3,378	556	52	7,075
Net book value					
At 1 April	559	1,302	71	18	1,950
At 31 March	**359**	**964**	**48**	**23**	**1,394**

Notes *(continued)*

13 Fixed asset investments - Company

Company	**Shares in group undertakings £000**
Cost	
At beginning of year	200
Additions	1,192
At end of year	1,392
Provisions	
At beginning of year	44
Impairment	55
At end of year	99
Net book value	
At 1 April	156
At 31 March	**1,293**

The undertakings in which the Group's and Company's interest at the year-end is more than 20% are as follows.

The registered office address for the subsidiary company Seetec Employment and Skills Ireland Designated Activity Company is 1 Stokes Place, St. Stephen's Green, Dublin 2, Ireland. All other subsidiary companies use the registered office address of 75-77 Main Road, Hockley, Essex, SS5 4RG.

Subsidiary undertakings	**Country of incorporation**	**Principal activity**	**Class & percentage of shares held**	
Seetec Human Resource Development Limited	United Kingdom	Employment services	**Ordinary shares**	100%
Seetec Employment Limited	United Kingdom	Dormant	**Ordinary shares**	100%
The Kent, Surrey and Sussex Community Rehabilitation Company Limited	United Kingdom	Probation services	**Ordinary shares**	100%
Seetec Employment and Skills Ireland Designated Activity Company	Republic of Ireland	Employment services	**Ordinary shares**	100%
Digital Youth Academy Limited	United Kingdom	Skills training	**Ordinary shares** **Ordinary shares** **Preferred shares**	100% 100% 100%
Outsource Education Group Limited	United Kingdom	Dormant	**Ordinary shares**	100%
Outsource Vocational Learning Limited	United Kingdom	Skills training	**Ordinary shares**	100%
Outsource Training and Development Limited	United Kingdom	Skills training	**Ordinary shares**	100%
Advanced Policing Solutions Limited	United Kingdom	Skills training	**Ordinary shares**	100%

Notes *(continued)*

13 Fixed asset investments - Company *(continued)*

Although Seetec Business Technology Centre Limited holds 100% of the ordinary share capital and therefore controls The Kent, Surrey and Sussex Community Rehabilitation Company Limited (the CRC) The Secretary of State for Justice holds one Special Share with differing rights to those of the other shareholders. This type of share is only issued to, held by and transferred to the Crown and does not carry an entitlement to share in the capital or profits of the company. Special shareholder voting rights apply in relation to the voluntary winding up or dissolution of the company, the appointment of an administrator over its assets, creating, issuing, purchasing, reducing, buying back or redeeming shares in the capital of the company or reorganising its share or loan capital or the company varying any voting rights attached to any shares in it. The special shareholder also has voting rights in relation to amendments to certain clauses of company's Articles. Special shareholder consent is required in relation to the services agreement between the company and Secretary of State or in relation to selling transfer, lending or disposing of its business, employees or assets which would materially affect the company's obligations to Secretary of State or in relation to the transfer or disposal of its ordinary shares.

As at the balance sheet date no such circumstances had arisen, so the CRC has been included as a full subsidiary of the company for the accounting periods.

The company have given a guarantee under section 479C of the companies Act 2006 for the financial year ending 31 July 2017 in respect to Digital Youth Academy Limited a 100% subsidiary. As such, for the year ending 31 July 2017 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

14 Debtors

	Group		**Company**	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Trade debtors	6,370	3,509	842	87
Amounts owed by group undertakings	-	-	14,243	6,807
Corporation tax	2,239	81	-	-
Deferred tax assets (see note 18)	779	2,526	732	2,009
Other debtors	654	881	483	573
Prepayments and accrued income	2,371	2,566	1,844	2,084
	12,413	9,563	18,144	11,560
Due within one year	12,413	9,563	18,144	11,560
Due after more than one year	-	-	-	-
	12,413	9,563	18,144	11,560

15 Cash and cash equivalents/ bank overdrafts

	2017	2016
	£000	£000
Cash at bank and in hand	33,379	49,959
Cash and cash equivalents per cash flow statements	33,379	49,959

Notes *(continued)*

16 Creditors: amounts falling due within one year

	Group 2017 £000	2016 £000	Company 2017 £000	2016 £000
Trade creditors	2,674	3,332	1,506	2,179
Amounts owed to group undertakings	-	-	-	-
Corporation tax	260	1,941	320	1,676
Taxation and social security	1,628	1,659	446	909
Hire purchase	57	-	57	-
Other creditors	711	254	570	179
Accruals and deferred income	6,950	7,293	5,440	6,737
Directors loan account (see note 23)	6	1	6	1
	12,286	14,480	8,345	11,681

17 Creditors: amounts falling after more than one year

	Group 2017 £000	2016 £000	Company 2017 £000	2016 £000
Hire purchase	99	-	99	-
Accruals and deferred income	213	1,026	213	1,026
	312	1,026	312	1,026

18 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 2017 £000	2016 £000	Liabilities 2017 £000	2016 £000	Net 2017 £000	2016 £000
Accelerated capital allowances	**(779)**	(2,526)	-	-	**(779)**	(2,526)
Net tax (assets) / liabilities	**(779)**	(2,526)	-	-	**(779)**	(2,526)

Deferred tax assets represent the timing differences arising on various costs and provisions incurred by the company in advance of corporation tax relief being available.

Company	Assets 2017 £000	2016 £000	Liabilities 2017 £000	2016 £000	Net 2017 £000	2016 £000
Accelerated capital allowances	**(732)**	(2,009)	-	-	**(732)**	(2,009)
Net tax (assets) / liabilities	**(732)**	(2,009)	-	-	**(732)**	(2,009)

Deferred tax assets represent the timing differences arising on various costs and provisions incurred by the company in advance of corporation tax relief being available.

Notes *(continued)*

19 Provisions

Group	**Income clawback £000**	**Total £000**
Balance at 1 April 2016	12,565	12,565
Provisions made during the year	-	-
Provisions used during the year	(7,452)	(7,452)
Balance at 31 March 2017	**5,113**	**5,113**

Government contracts form a significant part of the group's income. Due to recent extrapolation clauses included in the majority of the company's contracts, the directors have recognised provisions in respect of the possible clawback of income claims due to any number of possible factors, some of which are beyond the group's control.

Provisions also include amounts for the movement in the Weighted Average Volumes banding which is used to calculate the contract price and potential pension strain amounts for the contract operated by The Kent, Surrey and Sussex Community Rehabilitation Centre Limited.

Company	**Income clawback £000**	**Total £000**
Balance at 1 April 2015	9,973	9,973
Provisions made during the year	-	-
Provisions used during the year	(6,890)	(6,890)
Balance at 31 March 2016	**3,083**	**3,083**

Government contracts form a significant part of the company's income. Due to recent extrapolation clauses included in the majority of the company's contracts, the directors have recognised provisions in respect of the possible clawback of income claims due to any number of possible factors, some of which are beyond the company's control.

Notes *(continued)*

20 Employee benefits

The Group provides defined benefit and defined contribution pension schemes for its employees.

The amounts recognised as an expense for the pension schemes during the period were

	2017 £000	2016 £000
Current period contributions – KSS CRC Ltd pension scheme	10	3
Current period contributions – KSS CRC LGPS	1,257	1,379

The Kent, Surrey and Sussex Community Rehabilitation Company Limited (CRC)

The CRC had £3,949 in unpaid pension contributions due to the KSS CRC Ltd Pension Scheme as at 31 March 2017, (2016: £nil).

The CRC participates in the Greater Manchester Local Government Pension Fund (LGPS). The participation commenced on 30 June 2014 when the employees of the trusts were transferred into the CRC and the CRC became an admitted body. As such the CRC was granted a fully funded past service position at that date.

The deficit recorded in respect of the LGPS is matched by a pension reimbursement asset due from the MoJ. This reflects the contractual position which provides the company with a contractual reimbursement for any variation in the contribution rates and any crystallisation of scheme liabilities on exit.

The CRC does have a potential obligation arising due to early retirement.

The following information is based on upon a full actuarial valuation of the fund at 31 March 2017 by a qualified independent actuary.

Net pension

	2017 £000	2016 £000
Defined benefit obligation	(56,007)	(41,697)
Plan assets	42,520	31,491
Net pension liability	(13,487)	(10,206)
Pension reimbursement asset	13,487	10,206
Total of pension liability and corresponding pension reimbursement asset	-	-

Movements in present value of defined benefit obligation

	2017 £000	2016 £000
At 1 April	(41,697)	(42,912)
Current service cost	(2,165)	(2,858)
Past service cost	-	(66)
Interest expense	(1,519)	(1,430)
Curtailment loss	-	-
Settlement	-	-
Remeasurement: actuarial gain/(loss)	(10,603)	6,215
Contributions by members	(588)	(646)
Benefits paid	565	-
At 31 March	(56,007)	(41,697)

Notes *(continued)*

20 Employee benefits *(continued)*

Movements in fair value of plan assets

	2017 £000	2016 £000
At 1 April	**31,491**	29,912
Interest income	**1,135**	990
Remeasurement: return on plan assets less interest income	**8,594**	(1,456)
Contributions by employer (CRC)	**1,277**	1,399
Contributions by members	**588**	646
Benefits paid	**(565)**	-
At 31 March	**42,520**	31,491

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

	2017 £000	2016 £000
At 1 April	**10,206**	13,000
Net interest income	**384**	440
Remeasurement:through other comprehensive income	**2,009**	(4,759)
Remeasurement through profit and loss	**888**	1,525
At 31 March	**13,487**	10,206

Income/expense recognised in the profit and loss account

	2017 £000	2016 £000
Contribution paid by KSS CRC	**(1,277)**	(1,399)
Adjustment to current service cost	**888**	1,525
Adjustment to reimbursement asset	**(888)**	(1,525)
Net interest on net defined benefit liability	**(384)**	(440)
Net interest on net reimbursement asset	**384**	440
Total net recognised in profit and loss	**(1,277)**	(1,399)

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

	2017 Fair value %	2016 Fair value %
Equities	**75**	73
Corporate bonds	**16**	17
Property	**5**	6
Cash	**4**	4

	2017 Fair value £000	2016 Fair value £000
Actual return on plan assets	**9,183**	1,456

Notes *(continued)*

20 Employee benefits *(continued)*

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

	2017	2016
	%	%
Discount rate	**2.6**	3.6
Future salary increase	**3.2**	3.5
Pension increase rate	**2.4**	2.2

In valuing the liabilities of the pension fund at 31 March 2017, mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 21.5 years (male), 24.1 years (female).
- Future retiree upon reaching 65: 23.7 years (male), 26.2 years (female).

Defined contribution plans

The Group operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £279,000 *(2016: £249,000).*

Share based payments

An unapproved employee share option scheme open to senior management was introduced on 31 July 2013.

The options may be exercised by each participant in tranches of 25% commencing July 2015 and at annual intervals thereafter. The shares are held for the benefit of the participants by an Employee Trust, the constitution and terms of which ensure its independence from the company.

Options may only be exercised where the participant continues to be an employee of the company and, in any event, cannot be exercised on or after the seventh anniversary of the grant date.

A credit of £261,218 was recognised in the year (2016 - a credit of £835,654) relating to share-based payment transactions. Details of outstanding options are as follows:

	Options
Outstanding at 1 April 2015	99,576
Granted during the year	4,262
Lapsed during the year	(22,953)
Exercised during the year	(22,163)
Outstanding at 31 March 2016	58,722
Granted during the year	-
Lapsed during the year	(1,882)
Exercised during the year	(18,458)
Outstanding at 31 March 2017	38,382

All options have an exercise price of £53 each. The value of the options granted and the charge recognised in the year have been derived from the Company's 5 year business plan and results forecast.

Notes *(continued)*

21 Capital and reserves

Share capital

	2017 £000	2016 £000
Allotted, called up and fully paid		
666,000 ordinary shares of £1 each	**666**	666
Shares classified as liabilities	**-**	-
Shares classified in shareholders' funds	**666**	666
	666	666

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Dividends

After the balance sheet date no dividends *(2016:£3,000,000; 450p)* were proposed by the directors..

Other comprehensive income

2016

Group	**Capital redemption reserve £000**	**Profit and loss account £000**	**Total other comprehensive income £000**
Other comprehensive income	-	7,436	7,436
Foreign exchange differences on translation of subsidiary undertakings	-	108	108
Total other comprehensive income	-	7,544	7,544

2017

Group	**Capital redemption reserve £000**	**Profit and loss account £000**	**Total other comprehensive income £000**
Other comprehensive income	-	2,250	2,250
Foreign exchange differences on translation of subsidiary undertakings	-	350	350
Total other comprehensive income	-	2,600	2,600

Notes *(continued)*

21 Capital and reserves *(continued)*

Other comprehensive income *(continued)*

2016

Company	**Capital Redemption reserve £000**	**Profit and loss account £000**	**Total other comprehensive income £000**
Other comprehensive income	-	9,272	9,272
Total other comprehensive income	-	9,272	9,272

2017

Company	**Capital Redemption reserve £000**	**Profit and loss account £000**	**Total other comprehensive income £000**
Other comprehensive income	-	7,219	7,219
Total other comprehensive income	-	7,219	7,219

22 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group		**Company**	
	2017 £000	2016 £000	**2017 £000**	2016 £000
Less than one year	**2,326**	1,837	958	1,307
Between one and five years	**6,898**	4,146	1,919	2,065
More than five years	**3,011**	2,213	503	665
	12,235	8,196	3,380	4,037

During the year £2,466,000 was recognised as an expense in the profit and loss account in respect of operating leases (2016: £2,035,000).

Notes *(continued)*

23 Related parties

Group

Identity of related parties with which the Group has transacted

P A Cooper, a director of the group and ultimate controlling party received dividends of £2,405,406 (2016: £1,603,604) from the group. At the balance sheet date P A Cooper was owed £5,887 (2016: £1,345).

Seetec Employee Trust, which is under the influence of the group received dividends of £549,549 (2016: £366,366) from the group. At the balance sheet date Seetec Employee Trust owed the group £270,385 (2015: £270,385).

South East Essex Technology Centre Limited, which is under the influence of the group, received dividends of £45,045 (2016: £30,030) from the group. At the balance sheet date the South East Essex Technology Centre Limited owed the group £1,376 (2016: £1,376).

Seetec Properties Limited, a company under common control, charged the group commercial rent and insurance totalling £118,625 (2016: £80,780). At the balance sheet date the group owed Seetec Properties Limited £nil (2016: £80,780).

Transactions with key management personnel

Total compensation of key management personnel (including the directors) in the year amounted to £1,502,521 *(2016: £1,826,414)*.

Company

Identity of related parties with which the Company has transacted

P A Cooper, a director of the company and ultimate controlling party received dividends of £2,405,406 (2016: £1,603,604) from the company. At the balance sheet date P A Cooper was owed £5,887 (2016: £1,345).

Seetec Employee Trust is under the influence of the company and received dividends of £549,549 *(2016: £366,366)* from the company. At the balance sheet date Seetec Employee Trust owed the company £270,385 (2016: £270,385).

South East Essex Technology Centre Limited is under the influence of the company and received dividends of £45,045 (2016: £30,030) from the company. At the balance sheet date the South East Essex Technology Centre Limited owed the company £1,376 (2016: £1,376).

Seetec Properties Limited, a company under common control, charged the company commercial rent and insurance totalling £118,625 (2016: £80,780). At the balance sheet date the company owed Seetec Properties Limited £nill (2016: £80,7801).

Transactions with fellow 100% group companies have not been disclosed as the company has taken advantage of the exemption under FRS 102.

Notes *(continued)*

24 Ultimate parent company and parent company of larger group

The ultimate controlling party is P A Cooper, director and majority shareholder of the company.

No other group financial statements include the results of the Company.

25 Accounting estimates and judgements

Key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Defined benefit pension scheme

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds

Provisions against income

Government contracts form a significant part of the group's income. Due to extrapolation clauses included in the majority of the company's contracts, the directors have recognised provisions in respect of the possible clawback of income claims due to any number of possible factors, some of which are beyond the group's control.

Provisions also include amounts for movement in the Weighted Average Volumes banding which is used to calculate the contract price for the contract operated by the Kent, Surrey and Sussex Community Rehabilitation Company Limited.

Goodwill/Intangible assets

Goodwill and intangible assets are written down over their estimated useful life. Goodwill in Outsource has been attributed to the value of its customer contracts and written down over their revenue generating life and software development costs are written down over the estimated period for which they will be in use.