

# Financial Statements

## The Bristol, Gloucestershire, Somerset and Wiltshire Community Rehabilitation Company Limited

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For the Period Ended 30 September 2017



Registered number: 08802537

**The Bristol, Gloucestershire, Somerset and Wiltshire Community Rehabilitation Company Limited**

## Company Information

<b>Directors</b>	Philip Andrew (resigned 27 June 2017) John Wiseman Paul Hindson (resigned 1 May 2017) Stephen Jones (appointed 4 July 2017)
<b>Company secretary</b>	Joanna Laxton
<b>Registered number</b>	08802537
<b>Registered office</b>	Queensway House The Hedges St. Georges Weston-Super-Mare Avon BS22 7BB
<b>Independent auditor</b>	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 2nd Floor, St Johns House Haslett Avenue West Crawley RH10 1HS
<b>Bankers</b>	The Royal Bank of Scotland Plc 100 West George Street Glasgow G2 1PP

**The Bristol, Gloucestershire, Somerset and Wiltshire Community Rehabilitation Company Limited**

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# Strategic Report

For the Period Ended 30 September 2017

The directors present their Strategic Report for the period ended 30 September 2017.

## Business Review

The Bristol, Gloucestershire, Somerset and Wiltshire Community Rehabilitation Company Limited is a wholly owned subsidiary of Working Links (Employment) Limited.

The Bristol, Gloucestershire, Somerset and Wiltshire Community Rehabilitation Company Limited delivers the requirements in Community Orders and Suspended Sentence Orders, and licence conditions or supervision requirements for those released from custody. The company also delivers a resettlement service for all offenders released from custody, and is paid to deliver a range of interventions and services for offenders managed by the National Probation Service.

The Bristol, Gloucestershire, Somerset and Wiltshire Community Rehabilitation Company Limited has been through a period of heavy change and restructure while Government funding cuts were absorbed and the service repositioned in line with the target operating model set out at the point of the acquisition by Working Links.

The company is now in the process of embedding the new service model reflecting the need to focus on interventions which reduce reoffending while eliminating duplication and creating efficiencies through process standardisation of administrative tasks. All of the company's corporate services are now provided through a shared service centre operated by the Working Links group.

During 2017 there has been a disproportionate impact on the financial position of the company due to business transformation and integration into the Working Links group. There has been large scale investment in Information Technology, Estates reconfiguration and relocation; and the need to pay for surplus staff to exit the company under a voluntary scheme.

The company recorded a loss after tax of £1,841,541 for the period to 30 September 2017 (2016 loss after tax of £3,059,866).

## Key performance indicators (KPIs)

Reviews of KPIs have occurred regularly across the financial period. Reviews are based upon a suite of management information required to deliver the Transforming Rehabilitation contract with the Ministry of Justice.

## Principal risks and uncertainties

The business has a comprehensive risk management process with major risks being reviewed by the Executive Team and the Board on a regular basis. A Risk and Audit Committee meets monthly to discuss systematic and non-systematic risks. Actions are identified and taken where necessary to help mitigate these risks. All areas of risk are evaluated within the business including operational, financial, IT, governance and compliance, human resources, reputation and protecting the public.

Our business improvement strategy reflects a cyclical view of risks, issues, actions and mitigation on a regular basis to maximise operational and financial potential.

As part of the business integration programme we implemented a dedicated risk management framework around operational stability; financial outcomes and contractual compliance during a period of heavy change management. For the programme which ended 31 March 2017 the risks had been managed daily through a dedicated Programme Management Office in conjunction with the appropriate Executive Sponsor and Project Work Strand Lead.

**The Bristol, Gloucestershire, Somerset and Wiltshire Community Rehabilitation Company Limited**

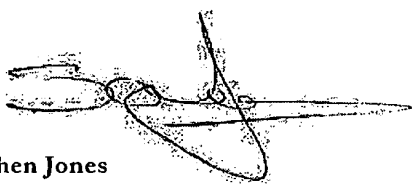
## **Strategic Report (continued)**

**For the Period Ended 30 September 2017**

### **Liquidity risks**

The company is capable of meeting its financial obligations as and when they fall due. The company expects to meet its financial obligations through operating cash flows. In the event that the operating cash flows would not cover all the financial obligations, then the company has credit facilities available from its parent company.

The Strategic Report was approved by the Board of Directors on 20 December 2017 and was signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Stephen Jones', with a large, stylized flourish extending to the right.

**Stephen Jones**  
Director

The Bristol, Gloucestershire, Somerset and Wiltshire Community Rehabilitation Company Limited

## Directors' Report

For the Period Ended 30 September 2017

The directors present their report and the financial statements for the period ended 30 September 2017.

### Principal activities and review of the business

The company is principally engaged in the delivery of community rehabilitation services.

A review of the business is presented in the Strategic Report on pages 1 - 2.

### Going concern

The directors have considered a full range of trading outcomes for the period from October 2017 through to March 2019 and its impact on the overall financial position in terms of reserves and day-to-day cash flow requirements. The directors acknowledge that the forward looking estimates carry high risks and dependencies in relation to the volume and type of service users allocated through the courts which impacts on service fee income and variable outcome based payments in relation to reducing re-offending rates.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. In the event that the operating cash flows would not cover all the financial obligations, then the company has credit facilities available from its parent company.

Accordingly, the going concern basis has been adopted in preparing the annual report and accounts with appropriate support provided by its parent company.

### Principal risks and uncertainties

Risks and uncertainties are discussed in the Strategic Report on pages 1 - 2.

### Results and dividends

The Statement of Comprehensive Income is set out on page 10. The directors do not recommend any amount to be paid by way of dividend (30 September 2016: £Nil)

### Directors

The directors who served during the period were:

Philip Andrew (resigned 27 June 2017)

John Wiseman

Paul Hindson (resigned 1 May 2017)

Stephen Jones (appointed 4 July 2017)

### Company Secretary

The company secretary in office during the period ended 30 September 2017 was:

Joanna Laxton

## Directors' Report (continued)

For the Period Ended 30 September 2017

### **Directors' responsibilities statement**

The directors are responsible for preparing the Strategic Report, the Directors' 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 the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

### **Disclosure of information to auditor**

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### **Post balance sheet events**

There have been no significant events affecting the Company since the year end.

The Bristol, Gloucestershire, Somerset and Wiltshire Community Rehabilitation Company Limited

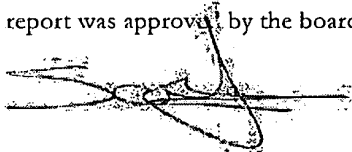
## Directors' Report (continued)

For the Period Ended 30 September 2017

### **Auditor**

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

This report was approved by the board of Directors on 20 December 2017 and signed on its behalf by;

A handwritten signature in black ink, appearing to be 'Stephen Jones', written over a horizontal line.

**Stephen Jones**  
Director





## Independent Auditor's Report to the Shareholders of The Bristol, Gloucestershire, Somerset and Wiltshire Community Rehabilitation Company Limited

### **Opinion**

We have audited the financial statements of The Bristol, Gloucestershire, Somerset and Wiltshire Community Rehabilitation Company Limited for the period ended 30 September 2017, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2017 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Who are we reporting to**

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.



## Independent Auditor's Report to the Shareholders of The Bristol, Gloucestershire, Somerset and Wiltshire Community Rehabilitation Company Limited (continued)

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. Our opinion on the financial statements does not cover the information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.



## Independent Auditor's Report to the Shareholders of The Bristol, Gloucestershire, Somerset and Wiltshire Community Rehabilitation Company Limited (continued)

### **Matters on which we are required to report by the Companies Act 2006**

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

### **Matters on which we are required to report by exception**

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

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

### **Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 Company or to cease operations, or have no realistic alternative but to do so.



## Independent Auditor's Report to the Shareholders of The Bristol, Gloucestershire, Somerset and Wiltshire Community Rehabilitation Company Limited (continued)

### **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 Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). The description forms part of our Auditor's Report.

A handwritten signature in black ink that reads "Grant Thornton UK LLP".

Marc Summers Bsc (Hons) FCA (Senior Statutory Auditor)  
for and on behalf of  
Grant Thornton UK LLP  
Chartered Accountants  
Statutory Auditor  
Gatwick

20 December 2017

## Statement of Comprehensive Income

For the Period Ended 30 September 2017

	Note	2017 £	2016 £
Turnover	4	16,608,505	20,938,188
<b>Gross profit</b>		<b>16,608,505</b>	<b>20,938,188</b>
Administrative expenses		(18,368,723)	(24,425,859)
Other operating income	5	685	15,526
<b>Operating loss</b>	6	<b>(1,759,533)</b>	<b>(3,472,145)</b>
Interest receivable and similar income	9	306	-
Interest payable and expenses	10	(9,167)	-
<b>Loss before tax</b>		<b>(1,768,394)</b>	<b>(3,472,145)</b>
Tax on loss	11	(73,147)	412,279
<b>Loss for the financial period</b>		<b>(1,841,541)</b>	<b>(3,059,866)</b>

There were no recognised gains and losses for 2017 or 2016 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2017 (2016: £NIL).

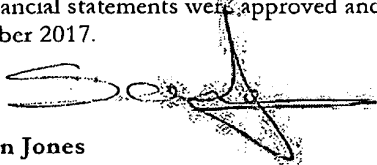
The notes on pages 13 to 28 form part of these financial statements.

## Statement of Financial Position

As at 30 September 2017

	Note	2017 £	2016 £
<b>Fixed assets</b>			
Tangible assets	12	7,442	37,079
<b>Current assets</b>			
Debtors: amounts falling due within one year	13	2,088,453	2,437,947
Cash at bank and in hand	14	4,798	2,723,174
		<u>2,093,251</u>	<u>5,161,121</u>
Creditors: amounts falling due within one year	15	(5,760,317)	(7,016,283)
<b>Net current liabilities</b>		<u>(3,667,066)</u>	<u>(1,855,162)</u>
<b>Net liabilities</b>		<u><u>(3,659,624)</u></u>	<u><u>(1,818,083)</u></u>
<b>Capital and reserves</b>			
Called up share capital	19	11	11
Profit and loss account	18	(3,659,635)	(1,818,094)
		<u><u>(3,659,624)</u></u>	<u><u>(1,818,083)</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 20 December 2017.

  
**Stephen Jones**  
 Director

The notes on pages 13 to 28 form part of these financial statements.

## Statement of Changes in Equity

For the Period Ended 30 September 2017

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 October 2016	11	(1,818,094)	(1,818,083)
Loss for the period	-	(1,841,541)	(1,841,541)
At 30 September 2017	11	(3,659,635)	(3,659,624)

## Statement of Changes in Equity

For the Period Ended 30 September 2016

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 October 2015	11	1,241,772	1,241,783
Loss for the year	-	(3,059,866)	(3,059,866)
At 30 September 2016	11	(1,818,094)	(1,818,083)

The notes on pages 13 to 28 form part of these financial statements.

## Notes to the Financial Statements

For the Period Ended 30 September 2017

### 1. General information

The Bristol, Gloucestershire, Somerset and Wiltshire Community Rehabilitation Company Limited (the Company) is a private company limited by shares and incorporated in the UK. It's registered head office is located at Queensway House, The Hedges, St. Georges, Weston-Super-Mare, Avon, BS22 7BB.

The company is principally engaged in the delivery of community rehabilitation services.

### 2. Accounting policies

#### 2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (FRS 102), and with the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The financial statements are presented in Sterling (£).

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

The following principal accounting policies have been applied:

#### 2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Working Links (Employment) Limited as at 30 September 2017 and these financial statements may be obtained from Companies House.



## Notes to the Financial Statements

For the Period Ended 30 September 2017

### 2. Accounting policies (continued)

#### 2.3 Going concern

The directors have considered a full range of trading outcomes for the period from October 2017 through to March 2019 and its impact on the overall financial position in terms of reserves and day-to-day cash flow requirements. The directors acknowledges that the forward looking estimates carries high risks and dependencies in relation to the volume and type of service users allocated through the courts which impacts on service fee income and variable outcome based payments in relation to reducing re-offending rates.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. In the event that the operating cash flows would not cover all the financial obligations, then the company has credit facilities available from its parent company.

Accordingly, the going concern basis has been adopted in preparing the annual report and accounts with appropriate support provided by its parent company.

#### 2.4 Revenue

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

##### Rendering of services

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

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

## Notes to the Financial Statements

For the Period Ended 30 September 2017

### 2. Accounting policies (continued)

#### 2.5 Tangible fixed assets

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

The estimated useful lives range as follows:

Short-term leasehold property	- 7 years
Plant and machinery	- 7 years
Motor vehicles	- 5-7 years
Computer equipment	- 7 years

In the case of leasehold property, expected useful lives are determined by reference to comparable owned assets or over the term of the lease, whichever is shorter.

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

#### 2.6 Debtors

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

#### 2.7 Creditors

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

#### 2.8 Cash and cash equivalents

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

## Notes to the Financial Statements

For the Period Ended 30 September 2017

### 2. Accounting policies (continued)

#### 2.9 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Investments in non-convertible preference shares and in non-puttable ordinary and preference shares are measured:

- at fair value with changes recognised in the Statement of Comprehensive Income if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

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

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

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

## Notes to the Financial Statements

For the Period Ended 30 September 2017

### 2. Accounting policies (continued)

#### 2.10 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the company. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the company recognises annual rent expense equal to amounts owed to the lessor.

The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight-line basis.

#### 2.11 Employee benefit accrual

The company recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

#### 2.12 Employee benefits

Employees of the company who were part of the company when in public ownership are covered by the provisions of the Local Government Pension Scheme (LGPS). This scheme was closed to new members within the CRC from 1 February 2015 and a new defined contribution group personal pension scheme was introduced.

The LGPS is a funded defined benefit scheme whose pension liabilities and corresponding assets are administered by the Greater Manchester Pension Fund (GMPF). 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. Under the terms of the Transforming Rehabilitation contract with the Ministry of Justice, where the employer contribution rate exceeds or is less than an assumed contribution rate of 14%, a corresponding adjustment will be made to contract income. The Secretary of State for Justice has provided a guarantee to the GMPF in respect of the company's participation in the LGPS. The commercial substance of the arrangement is therefore that the company operates a defined contribution pension scheme.

#### 2.13 Pensions

##### Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

## Notes to the Financial Statements

For the Period Ended 30 September 2017

### 2. Accounting policies (continued)

#### 2.14 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the period in which they are incurred.

#### 2.15 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

#### 2.16 Current and deferred taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current period using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

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

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in the statement of comprehensive income, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

## Notes to the Financial Statements

For the Period Ended 30 September 2017

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

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

#### 3.1 Significant management judgement

The following are significant management judgements in applying the accounting policies of the company that have the most significant effect on the financial statements.

##### *Greater Manchester Pension Fund (GMPF) contributions*

The company entered into an agreement with the Ministry of Justice, as part of the overall contract for Transforming Rehabilitation services, to contribute 14% in respect of eligible employees to the GMPF. The structure of the agreement is such that the pension fund actuaries communicate changes in the contribution rate to the company, which must then make contributions at the revised rate, thus seeming to incur the actuarial and investment risk. The contract with the Ministry of Justice then requires a receipt or balancing payment to restrict the company's exposure back to 14%, as the contractual funding rate to be made by the company under the contract.

Management have considered whether a defined benefit liability (or asset) would need to be recognised at each accounting period, along with a corresponding asset (or liability) due from the Ministry of Justice.

Management have concluded that, based upon initial contract discussions, the involvement of the pension fund and Ministry of Justice in key schedules within the contract, their review of the contract, and legal advice, that the substance of the transaction is such that the company has a defined contribution pension scheme and not a defined benefit scheme.

##### *Taxes*

Determining income tax provisions involves judgement on the tax treatment of certain transactions. Deferred tax is recognised on tax losses not yet used and on temporary differences where it is probable that there will be taxable revenue against which these can be offset. Management is satisfied that on the balance of probability future taxable revenues will be generated against which tax losses will be available to offset.

#### 3.2 Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

##### *Useful lives of depreciable assets*

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets.

### 4. Turnover

All turnover arose within the United Kingdom.

All turnover was earned through the rendering of services

### 5. Other operating income

	2017	2016
	£	£
Staff secondment fees charged to group companies	685	15,526

## Notes to the Financial Statements

For the Period Ended 30 September 2017

### 6. Operating loss

The operating loss :

	2017	2016
	£	£
Depreciation of tangible fixed assets	33,716	46,256
Other operating lease rentals	1,272	-
Loss on sale of tangible assets	(400)	-
Defined contribution pension cost	1,386,738	1,504,405
Management charges from parent undertaking - corporate overheads	3,298,625	2,681,725
Management charges from parent undertaking - transformation costs		750,690
	<u>          </u>	<u>          </u>

### 7. Auditor's remuneration

	2017	2016
	£	£
Fees payable to the Company's auditor and its associates for the audit of the company's annual accounts	15,000	15,000
<b>Fees payable to the Company's auditor and its associates in respect of:</b>		
Tax compliance service	3,750	3,750
	<u>          </u>	<u>          </u>

# Notes to the Financial Statements

For the Period Ended 30 September 2017

## 8. Directors and Employees

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

	2017 £	2016 £
Wages and salaries	8,582,470	11,154,286
Social security costs	672,068	877,956
Cost of defined contribution scheme	1,386,738	1,504,405
	<u>10,641,276</u>	<u>13,536,647</u>

The company operates a pension scheme for the benefit of employees and directors which has a commercial substance equivalent to a defined contribution scheme. The assets of the scheme are administered by an independent pensions provider.

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

	2017 No.	2016 No.
Directors	2	3
Other staff	254	385
	<u>256</u>	<u>388</u>

	2017 £	2016 £
Directors' emoluments	96,785	92,465

During the period no directors participated in money purchase schemes (the Greater Manchester Pension Fund being considered a defined pensions scheme in this context).

## 9. Interest receivable

	2017 £	2016 £
Interest receivable and other financial income	306	-

## 10. Interest payable and similar charges

	2017 £	2016 £
Bank interest payable	9,167	-



# Notes to the Financial Statements

For the Period Ended 30 September 2017

## 11. Taxation

	2017 £	2016 £
<b>Corporation tax</b>		
Adjustments in respect of previous periods	215,783	(255,813)
	<u>215,783</u>	<u>(255,813)</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(301,656)	(156,538)
Changes to tax rates	159,020	72
<b>Total deferred tax</b>	<u>(142,636)</u>	<u>(156,466)</u>
<b>Taxation on profit/(loss) on ordinary activities</b>	<u>73,147</u>	<u>(412,279)</u>

### Factors affecting tax charge for the period/year

The tax assessed for the period/year is higher than (2016: higher than) the standard rate of corporation tax in the UK of 19.5% (2016: 20%). The differences are explained below:

	2017 £	2016 £
Loss on ordinary activities before tax	<u>(1,768,394)</u>	<u>(3,472,145)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.5% (2016: 20%)	(344,753)	(694,429)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	364	2,394
Fixed asset differences	6,574	8,751
Utilisation of tax losses	-	234,602
Adjustment to brought forward values	(8,178)	-
Adjustments to tax charge in respect of prior periods	215,783	(255,813)
Other timing differences leading to an increase (decrease) in taxation	44,455	28,205
Adjustment to opening deferred tax to average rate of 19.5%	(118)	-
Adjustment to tax charge in respect of previous periods- deferred tax	159,020	2,877
Group relief	-	261,134
<b>Total tax charge for the period/year</b>	<u>73,147</u>	<u>(412,279)</u>

## Notes to the Financial Statements

For the Period Ended 30 September 2017

### 11. Taxation (continued)

#### Factors that may affect future tax charges

The aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income is £Nil.

### 12. Tangible fixed assets

	Short-term leasehold property £	Plant and machinery £	Motor vehicles £	Computer equipment £	Total £
<b>Cost or valuation</b>					
At 1 October 2016	-	76,179	481,023	30,848	588,050
Additions	4,079	-	-	-	4,079
At 30 September 2017	4,079	76,179	481,023	30,848	592,129
<b>Depreciation</b>					
At 1 October 2016	-	76,179	443,944	30,848	550,971
Charge for the period on owned assets	605	-	33,111	-	33,716
At 30 September 2017	605	76,179	477,055	30,848	584,687
<b>Net book value</b>					
At 30 September 2017	3,474	-	3,968	-	7,442
At 30 September 2016	-	-	37,079	-	37,079

The net book value of land and buildings may be further analysed as follows:

	2017 £	2016 £
Short leasehold	3,474	-

## Notes to the Financial Statements

For the Period Ended 30 September 2017

### 13. Debtors

	2017 £	2016 £
Trade debtors	220,235	104,442
Other debtors	-	10,106
Prepayments and accrued income	1,536,103	1,907,760
Tax recoverable	29,653	255,813
Deferred taxation	302,462	159,826
	<u>2,088,453</u>	<u>2,437,947</u>

### 14. Cash and cash equivalents

	2017 £	2016 £
Cash at bank and in hand	4,798	2,723,174
Less: bank overdrafts	(2,818,843)	-
	<u>(2,814,045)</u>	<u>2,723,174</u>

### 15. Creditors: Amounts falling due within one year

	2017 £	2016 £
Bank overdrafts	2,818,843	-
Trade creditors	396,808	217,653
Amounts owed to group undertakings	-	4,349,098
Other taxation and social security	857,877	890,787
Other creditors	896,394	26,957
Accruals and deferred income	790,395	1,531,788
	<u>5,760,317</u>	<u>7,016,283</u>

## Notes to the Financial Statements

For the Period Ended 30 September 2017

### 16. Financial instruments

	2017 £	2016 £
<b>Financial assets</b>		
Financial assets measured at fair value through profit or loss	<u>4,798</u>	<u>2,723,174</u>

Financial assets measured at fair value through profit or loss comprise cash at bank and in hand.

### 17. Deferred taxation

	2017 £	2016 £
At beginning of year	159,826	3,360
Charged to profit or loss	142,636	156,466
<b>At end of year</b>	<u>302,462</u>	<u>159,826</u>

The deferred tax asset is made up as follows:

	2017 £	2016 £
Accelerated capital allowances	99	204
Tax losses carried forward	193,414	159,020
Other timing differences	108,949	602
	<u>302,462</u>	<u>159,826</u>

### 18. Reserves

#### Called-up share capital

Represents the nominal value of shares that have been issued.

#### Share premium account

Includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

#### Profit and loss account

Includes all current and prior period retained profits and losses.

## Notes to the Financial Statements

For the Period Ended 30 September 2017

### 19. Share capital

	2017 £	2016 £
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
10 ordinary shares of £1 each	10	10
1 special rights redeemable preference share of £1	1	1
	<hr/>	<hr/>
	<b>11</b>	<b>11</b>
	<hr/>	<hr/>

#### Preference share

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 in relation to certain clauses of the company's articles. Special shareholder consent is required in relation to security interest in relation to the services agreement between the company and the 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 the Secretary of State or in relation to the transfer or disposal of its ordinary shares.

### 20. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £1,386,738 (2016: £1,504,405). Contributions totalling £11,052 (2016: £3,451) were payable to the fund at the balance sheet date and are included in creditors.

# Notes to the Financial Statements

For the Period Ended 30 September 2017

## 21. Commitments under operating leases

At 30 September 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
<b>Land and buildings</b>		
Not later than 1 year	90,307	198,309
Later than 1 year and not later than 5 years	694,639	12,956
Later than 5 years	-	528,874
<b>Total</b>	<b>784,946</b>	<b>740,139</b>
	2017 £	2016 £
<b>Other items</b>		
Not later than 1 year	4,059	-
<b>Total</b>	<b>4,059</b>	<b>-</b>

## 22. Related parties transactions

The company is exempt from disclosing other related party transactions as they are with other companies that are wholly owned within the group.

There were no other related party transactions in the period.

## 23. Ultimate parent undertaking and controlling party

The parent company and ultimate controlling party is Aurelius AG, a company incorporated in Germany with offices in Munich and London and subsidiaries in Germany, United Kingdom, Switzerland, Norway, Belgium, Luxembourg, Slovakia and Slovenia, as well as the United States, China, Malaysia, India, Thailand and South Korea. The shares of Aurelius AG are traded in the m:access of the Munich Stock Exchange under ISN DE000A0JKA8.

Copies of the Aurelius AG consolidated financial statements are available on their website or via the investor Relations & Corporate Communications which can be contacted via:

Phone: (S) +49 (89) 544799 0  
 Fax: +49 (89) 544799 55  
 Mail: [investors@aureliusinvest.de](mailto:investors@aureliusinvest.de)

The smallest group preparing consolidated accounts in which the Company's results are included is Working Links (Employment) Limited. The largest group preparing consolidated accounts in which the Company's results are included is Aurelius AG.

## Notes to the Financial Statements

For the Period Ended 30 September 2017

### **24. Revolving credit facility**

On 1 August 2017 Working Links (Employment) Limited entered into a variation of its previous revolving lending facility with the Royal Bank of Scotland. The Bank agreed to make available for general corporate purposes a revolving advance facility of £8m. Associated with this, there is a charge held over the Company specifically relating to future income of the contract between the Company and the Secretary of State for Justice.