The Thames Valley Community Rehabilitation Company Limited

Annual Report and Financial Statements

For the year ended

31 December 2021

Company no. 08802542

The Thames Valley Community Rehabilitation Company Limited

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Directors and Company Information

Directors

Ian Fisher Mulholland
Sarah Joanne Pavlou

Registered Office

6-9, Snow Hill, London, England, EC1A 2AY

Company Number

08802542

Banker

Barclays PLC
Oxford and Swindon Team
Wytham Court
11 West Way
Botley
Oxford
OX2 0JB

Auditor

KPMG LLP
15 Canada Square
London E14 5GL
United Kingdom

The Directors present their Strategic report for the year ended 31 December 2021.

Principal activities

The Company was incorporated in the United Kingdom and is principally engaged in the justice sector and the judicial activity of providing rehabilitation services. Until 25 June 2021, the Company was contracted with the Secretary of State for Justice to provide probation services. Its principal place of business is Thames Valley, and its Head Office is: 6-9 Snow Hill, London, England, EC1A 2AY.

In May 2019, The Ministry of Justice ("MoJ") announced plans for the future of probation. Under the plans, it announced the National Probation Service will be responsible for managing all service users on community order or license following their release from prison in England and Wales. With a clearly defined role for the voluntary and private sector in the delivery of unpaid work, accredited programmes and resettlement and rehabilitative initiatives.

In December 2019, the Company signed an Extension Agreement with the MoJ to extend the current Probation contracts to 25 June 2021, under the extension period the main Fee-For-Service revenue mechanism was replaced by a cost-plus mechanism for the period December 2020 to June 2021.

In June 2020, the MoJ announced a revision to their May 2019 announcement for the future of probation. Under the revision the delivery of unpaid work and behavioural-change programmes have also been brought under the control of the National Probation Service alongside managing service users on community order or license. The change took effect and ended the Company's Probation contract on 25 June 2021.

Business review

The results of the Company and future developments have been outlined in the Directors' Report under the Review of Business and Future Developments section.

Key performance indicators

The Profit and Loss Account and Other Comprehensive Income for the year is set out on page 17 and shows turnover of £8.8m (year ended 31 December 2020: £16.3m) and profit after tax of £1.4m (year ended 31 December 2020: £0.9m). The Company's primary business focus during the year continued to be the delivery of probation services operating under a contract with the Secretary of State for Justice. This contract ended in June 2021.

The MoJ probation contracts specified the required performance and Key Performance Indicators (KPIs) that were used to measure the monthly performance of the Community Rehabilitation Company (CRC). Each KPI had established performance targets in the contract that the CRC was evaluated against. The KPIs coincided with various contractual service delivery requirements including pre-release planning, initial contact appointments, initial sentence plans and sentence completion. Some of the primary KPIs have been detailed below in accordance with service level weighting.

Completion of Community Orders and Suspended Sentence Order
The percentage of completions of community orders and suspended sentence orders by service users who have been allocated to and are managed by a CRC responsible officer.

Key performance indicators *(continued)*

Contractor Delivery of Unpaid Work Requirement
The percentage of completions of unpaid work requirements by service users who have been allocated to and are managed by a CRC responsible officer.

Contractor Delivery of a Programme Requirement
The percentage of completions of a Programme Requirement by service users who have been allocated to and are managed by a CRC responsible officer.

Contractor Delivery of completing required Plans
The percentage completion of a Plan in accordance with the stipulated requirements and within the stipulated timeframes for service users with Community Orders, Suspended Sentences and those released from custody.

On 1 October 2018, the Company commenced an internal project, the "Quality Pilot", focusing on our internal Quality Agenda, rather than the contractual KPI's. During the pilot, the KPIs remained, but were only measured in the background for the purposes of service credits penalties.

In the year ending 31 December 2020, the Company continued its agenda focusing on defining and delivering quality. The Quality and Performance team, in preparation for the move to quality indicators, developed quality standards and case audits to ensure all operational employees knew what quality looks like and that the organisation was consistently working to the same standards.

In the year ending 31 December 2021, the Company's original strategy had to adapt in response to two major events that occurred in 2020. Firstly, the World Health Organisations announcement of the COVID-19 global pandemic in March 2020 and secondly the UK Governments announcement in June 2020 of the revised plans for the future of probation services in England and Wales.

In March 2020, following the announcement of the global pandemic and national lockdown, the Company agreed an Exceptional Delivery Model ("EDM") with the MoJ. As part of the EDM face-to-face supervision was continued only for certain Service Users, all other supervision continued over the phone. In addition, all Community Payback projects were suspended and our Through the Gate service was redefined.

In June 2020, the Government guidance changed, and we moved from our EDM delivery to our recovery plans in which Unpaid Work and Group-based interventions were resumed with smaller groups to allow social distancing.

For the six months ending 25 June 2021, our delivery was responsive to any changes in relation to social distancing and other measures required nationally or locally.

Our aims during this period remained unchanged but operations changed to ensure the health and safety of all staff, partners and Service Users.

The announcement in June 2020 regarding the unified probation service in England and Wales saw the delivery of unpaid work and behavioural-change programmes also brought under the control of the National Probation Service, alongside managing service users on community order or license. The change took effect at the end of the current Probation contract on 25 June 2021.

Key performance indicators *(continued)*

During the six months ending 25 June 2021, the Company continued to focus on the quality delivery of services and ensuring progress against our internal quality agenda, while managing the transition of services back to The National Probation Service in June 2021 and ensuring employees felt informed and supported throughout the process.

Prior to the transition back to The National Probation Service, the Company continued to prioritise the day-to-day objectives of our service: make service users less likely to reoffend; manage the risk of serious harm posed by some of our service users, and – without exceptions – implement the sentence of the court.

Principal risks and uncertainties

The Company's risks and other key performance indicators are reported, reviewed, and managed at a Company executive level. A comprehensive risk register, which identifies key business risks, including safeguarding, contractual, operational, reputational, and financial risk areas is overseen by the Board. A consolidated risk register is held at a Group level and reviewed by the Board monthly.

Transformation risk

Transformation continued to be a principal focus area of risk management at both the Company and Group level. During 2021, a dedicated Transformation team at Group level oversaw any Transformation project across all Group companies. This ensures any projects are risk assessed and requirements are documented at inception, this also gives a central point of governance for all projects and ensures the strategic objectives of the Company and Group are met. A key focus in the six months ending 25 June 2021 was supporting our staff through their transition back to The National Probation Service.

Contract risk

The Company relied on a key Secretary of State contract, which came to an end on 25 June 2021 and as such the risks associated with the contract either no longer exist or an agreement has been reached to alleviate those risks.

Systems risk

An initial reliance on third party reporting systems for the user data which initiates client payments, presented both risk and uncertainty. The Company has mitigated this risk through its dedicated data team, which reviews and scrutinises information and agrees volumes and KPIs.

The Company also has robust policies and procedures and operational reporting in place to manage safeguarding, operational, information technology, human resources and health and safety risks.

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash at bank and in hand, trade and other debtors, amounts owed by Group Undertakings and prepayments and accrued income. The credit risk on liquid funds (cash and cash equivalents) is limited because the counterparties are highly rated financial institutions.

Trade receivables are presented in the balance sheet net of allowances for doubtful debts of £nil (31 December 2020: £nil). An allowance for impairment is made where there is an identified loss event which is evidence of a reduction in the recoverability of cash flows.

Interest rate risk

Given the Company has no significant interest-bearing assets (except cash and cash equivalents) and income and operating cash flows are substantially independent of changes in market interest rates, interest rate risk arises from long-term borrowings; the Company's management of cash flow risk ensures that obligations can be met as they fall due.

Cash flow risk

Cash flow risk refers to the risk that the Company will not have available resources to meet obligations as they fall due. Sufficient cash balances are held to meet short-term obligations. The Company's parent company is Management & Training Corporation Limited, which is a subsidiary of Management & Training Corporation (UK) Limited, financial resources are managed on a Management & Training Corporation (UK) Limited basis. Group cash balances at 31 December 2021 were £28.8m (31 December 2020: £14.9m). In addition, Management & Training Corporation (UK) Limited has a credit line of up to US$33.0m with its parent Management & Training Corporation,. At 31 December 2021, £16.5m of the credit line was drawn down (31 December 2020: £15.8m).

Interest bearing assets and liabilities are held at a fixed rate to ensure the certainty of cash flows.

Liquidity risk

The Company is exposed to liquidity risk with respect to its contractual obligations and financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash at bank and in hand and the availability of funding through an adequate amount of committed credit facilities. In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses a mixture of long-term and short-term debt finance, including Management & Training Corporation (UK) Limited (the lead company in the UK Group), having a credit line of US$33.0m with its parent Management & Training Corporation.

Section 172 Statement

In accordance with section 172 of the Companies Act 2006, each of our directors acts in the way he or she considers to be in good faith and would most likely promote the success of the Company for the benefit of its members as a whole. Our directors have regarded, amongst other matters, to the:

- likely consequences of any decisions in the long-term.
- interests of the Company's employees.
- need to foster the Company's business relationships with suppliers, customers and others.
- impact of the Company's operations on the community and environment.
- desirability of the Company maintaining a reputation for high standards of business conduct; and
- need to act fairly between members of the Company.

In discharging our section 172 duties we have regard to the factors set out above. The directors also have considered the views and interests of a wider set of stakeholders when making decisions, for example, the interests and views of our employees, our customers, our suppliers and our relationship with the government and our partners. During the year, the Directors received information to enable them to consider the impact of the Company's decisions on its key stakeholders. The Directors acknowledge that every decision that they make will not necessarily result in a positive outcome for all stakeholders and they have to frequently make difficult decisions based on competing priorities. By considering the Company's purpose and values, together with its strategic priorities and having a place for decision making at Board/Director level, the Directors do aim to balance the different perspectives.

Day-to-day management of the Company is delegated to the Company's Executive team, with the Board and Directors setting, approving and overseeing the execution of the strategy and related policies.

In addition to the methods of engagement described below, the interests of our stakeholder groups are considered by the Board and Directors through a combination of:

- Regular reports and presentations at scheduled Board and Committee meetings, including operational reports presented by the Managing Director and updates from Senior Management on operational performance, health and safety, ethics and compliance, inclusion and diversity and people matters.
- A rolling agenda of matters to be considered by the Board and Committees during the year, including a strategy review which considers the purpose of the Company and strategy to be followed by the Company, which is supported by a budget for the financial year and medium-term financial plan.
- Formal consideration of large bids and other matters, including any factors which are relevant to major decisions taken by the Board and Directors.

Section 172 Statement *(continued)*

The Company's key stakeholders are its employees, suppliers, customers, the government, partners and communities. The views of and the impact of the Company's activities on those stakeholders are an important consideration for the directors when making relevant decisions. The Board recognises that building strong relationships with our stakeholders will help to deliver the Company's strategy in line with our long-term values and operate the business in a sustainable way.

Examples of how the Directors have engaged with the Company's stakeholders with regard to section 172(1) (a) to (f) are detailed below:

Employees

The Board and Directors recognise that employees are fundamental and core to the business and delivery of the strategic ambitions. The success of the business depends on attracting, retaining and motivating employees. From ensuring that the Company remains a responsible employer, from pay and benefits to the health, safety and workforce environment, the Board and Directors factor the implications of decisions on employees and the wider workforce, where relevant and feasible. The Board has engaged with employees via a variety of channels, including delivering employee events, tailored training, undertaking employee engagement surveys, and through various intranet communications portals. For more information please see the "Employees" section in the Report of the Directors.

Feedback from employees is actively encouraged and is considered a key driver in developing our business activities, processes and workplace environment. Initiatives to encourage wellbeing are well established and continue to evolve and are strongly influenced by the employees. Professional and personal development of employees is viewed as fundamental to the continued success of the Company and our Directors seek to promote this.

During the six months ended 25 June 2021, the Company has actively engaged with all employees to ensure that they are supported and involved in their transition to The National Probation Service as part of the Company's Probation contract coming to an end on 25 June 2021.

Suppliers, customers and others

Delivering the strategy requires strong mutually beneficial relationships with suppliers, customers, the government and partners. The Company seeks the promotion and application of certain general principles in such relationships.

We work with a wide range of suppliers and we remain committed to being fair and transparent in our dealings with all our suppliers.

Our Company relies on external and internal suppliers for certain services which are required to maintain the efficiency and resilience of the Company's operations.

The Company encourages Senior Managers to hold regular meetings with key suppliers, which allow for open discussions and encourage a partnership approach. Additionally, these identify and mitigate any risks to the key service provisions of the Company. At those meetings, such topics like service level agreements and KPIs are discussed, and feedback is exchanged. We believe that having solid long-term relationships with our suppliers is essential to continue to provide our solutions to customers and maintain operational resiliency.

Section 172 Statement *(continued)*

Suppliers, customers and others *(continued)*

We also have systems and processes in place to ensure suppliers are paid in a timely manner.

We recognise that engagement with our customers is vital so that we understand their objectives and priorities and can tailor our strategies and business plans accordingly.

We build lasting relationships with current and potential customers to understand their objectives and requirements. We are in regular contact with our customers, for example, the Ministry of Justice, in order to meet their defined reporting and service requirements.

This includes attending regular update calls and face to face meetings. Performance metrics and updates are provided through established mechanisms.

We monitor customer feedback to help us establish our customers' views on the Company's services and ways we can improve our offering. We believe that aligning our strategy and services to the needs and interests of our customers is central to supporting long-term value creation, enabling innovation.

We work with a broad range of partners, sharing resources and knowledge. Working collaboratively, we find innovative ways to support our service users in our CRC's giving them the skills and confidence they need to help them start being a positive member of their community. Our partners are therefore extremely important to us and so we are in regular communication with them all, striving to work well as a team to enable us to transform lives.

Our CRC Service Users are at the heart of everything that we do and the Directors and Board are mindful of the impact on them of every decision made. Therefore, the rehabilitation of our Service Users is at the forefront of decisions made.

Communities and the environment

The Company is mindful of its impact on and its responsibilities for the communities in which it operates. We strive to help the community through a powerful community sentence. Unpaid Work is a community sentence used by the Courts which requires Service Users to undertake unpaid work on a worthwhile and constructive project, to pay back the community for the crimes they have committed.

When we begin working with a service user, we are not only trying to transform their life, but also to improve community safety.

The quality of our service directly benefits and strengthens local communities, and our partners help us ensure we deliver quality interventions, making a real impact.

The work that service users do to create, maintain and support public spaces has a positive impact on local communities. Our teams regularly work alongside community organisations, local authorities, local police teams and residents. Known as Community Action Days, these are positive for both service users who see the immediate impact of their work and local communities who can see and appreciate Community Payback in action.

Section 172 Statement *(continued)*

We also seek to minimise the impact of our operations on the environment through the pursuit of good business practices.

Approved by the Board and signed on its behalf by:

Mr Ian Fisher Mulholland
Director
29 September 2022

The Directors present their report on the affairs of the Company together with the audited financial statements for the year ended 31 December 2021.

The Directors of the Company during the year, and up to the date of this report, were:

Ian Fisher Mulholland (Appointed 25/06/2021)
Sarah Joanne Pavlou (Appointed 25/04/2022)
David Hood (Appointed 25/06/2021 and resigned 25/04/2022)
Kirsty Marie Blair (Resigned 25/06/2021)
Martin Phillip Copsey (Resigned 25/06/2021)

Directors' Indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Going Concern

In May 2019, The Ministry of Justice ("MoJ") announced plans for the future of probation. Under the plans, it announced the National Probation Service will be responsible for managing all service users on community order or license following their release from prison in England and Wales. With a clearly defined role for the voluntary and private sector in the delivery of unpaid work, accredited programmes and resettlement and rehabilitative initiatives.

In December 2019, the Company signed an Extension Agreement with the MoJ to extend the current Probation contracts to 25 June 2021, under the extension period the main Fee-For-Service revenue mechanism was replaced by a cost-plus mechanism for the period December 2020 to June 2021.

In June 2020, the MoJ announced a revision to their May 2019 announcement for the future of probation. Under the revision the delivery of unpaid work and behavioural-change programmes will also be brought under the control of the National Probation Service alongside managing service users on community order or license. The change took effect and ended our probation contract on 25 June 2021.

As the Company ceased trading on 26 June 2021, the financial statements have not been prepared on a going concern basis. The financial statements have therefore been prepared under FRS 102, but on a basis other than that of the going concern basis. This basis includes, where applicable, for the year ended 31 December 2020, reclassifying fixed assets to current assets and long-term liabilities reclassified as current liabilities. The assets were subsequently transferred to The National Probation Service or written off in June 2021. It is the intention of the directors to wind up operations of the company in due course.

Dividends

No dividends were paid by the Company during the year ended 31 December 2021 (year ended 31 December 2020: £nil). The Directors do not recommend the payment of a final dividend.

Review of business and future developments

The Profit and Loss Account and Other Comprehensive Income for the year is set out on page 17 and shows turnover of £8.8m (year ended 31 December 2020: £16.3m) and profit after tax of £1.4m (year ended 31 December 2020: £0.9m).

Employees

The Thames Valley Community Rehabilitation Company is fully committed to the employment of people with disabilities and the continued employment and training of persons who become disabled in the Company's employment. Training and promotion are available to all staff and the Company particularly supports disabled staff through effective use of assistive technology.

The Company aims to make inclusion part of its culture and wants to make sure our services and employment are inclusive for the wide, diverse range of people we serve and employ. The Thames Valley Community Rehabilitation Company aims for fairness, respect and equality of opportunity for all employees from the moment they join and throughout their employment, with regards to recruitment, learning and development, appraisal, performance management, recognition, promotion and leaving. The Company also aims for fairness, respect and equality of opportunity for our service users, partners and suppliers in the actions we and they take in connection with The Thames Valley Community Rehabilitation Company. Making this happen is the responsibility of everyone who is employed by, contracted to, supplies and uses The Thames Valley Community Rehabilitation Company and its services.

To achieve these various activities occur, including:

- Delivering events for all employees to share the Company's vision, activities and progress
- Holding Leadership forums to collaborate in achieving the Company's objectives
- Tailoring training to individual group needs
- Holding Local and Pan Committee Union forums
- Undertaking an annual employee engagement survey to hear employees' views
- Having various Intranet communications portals to access information
- The Management & Training Corporation Limited Executive team engage in regular visible leadership walkabouts
- Having an employee led inclusion network to work on Equality and Diversity initiatives with employee representatives included on the Equality and Diversity Board
- Undertaking Equality Impact Assessment on our policies.

Auditor

Each of the persons who is a Director at the date of approval of this report confirms 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 he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

KPMG LLP were appointed as auditor to the Company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Approved by the Board and signed on its behalf by:

Mr Ian Fisher Mulholland
Director
6-9, Snow Hill, London, England, EC1A 2AY
29 September 2022

Directors' Responsibilities Statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom 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 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 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations or have no realistic alternative but to do so. As explained in note 1, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

Independent Auditor's report to the members of The Thames Valley Community Rehabilitation Company Limited

Opinion

We have audited the financial statements of The Thames Valley Community Rehabilitation Company Limited ("the company") for the year ended 31 December 2021 which comprise the profit and loss account and other comprehensive income, the balance sheet, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the Financial Reporting Council's Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Emphasis of matter - non-going concern basis of preparation

We draw attention to the disclosure made in note 1 to the financial statements which explains that the financial statements have not been prepared on the going concern basis for the reason set out in that note. Our opinion is not modified in respect of this matter.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud.

Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

Fraud and breaches of laws and regulations – ability to detect (continued)

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the revenue recognised is simple in nature, and there is limited opportunity to perpetrate fraud because a significant portion of revenue related to contracts with Ministry of Justice (MoJ) and revenue invoices are verified by MoJ.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to seldom used accounts, revenue and cash journals posted to unusual accounts and material post-closing journals.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards) and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, employment law, anti-bribery and data protection laws. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Fraud and breaches of laws and regulations – ability to detect (continued)

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and Directors' report

The directors are responsible for the Strategic Report and the Directors' Report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic Report and the Directors' Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; 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

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Independent Auditor's report to the members of The Thames Valley Community Rehabilitation Company Limited *(continued)*

Directors' responsibilities

As explained more fully in their statement set out on page 12, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

George Awusu (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL
United Kingdom

Date: 29 September 2022

The Thames Valley Community Rehabilitation Company Limited

Profit and Loss Account and Other Comprehensive Income for the year ended 31 December 2021

	Note	31 Dec 2021 £'000	31 Dec 2020 £'000
Turnover	2	8,809	16,286
Cost of sales		(3,970)	(8,160)
Gross profit		4,839	8,126
Administrative expenses		(3,134)	(6,888)
Loss of disposal of a tangible asset		(71)	(8)
Operating profit		1,634	1,230
Other interest receivable and similar income	5	128	-
Profit before taxation	6	1,762	1,230
Tax charge	7	(337)	(289)
Profit for the financial year		1,425	941
Other comprehensive income, net of tax			
Re-measurement of pension liability	13	-	(9,329)
Re-measurement of reimbursement asset	13	-	9,329
Total comprehensive profit, net of tax		1,425	941

The company's probation contract ended on the 25 June 2021 and the company ceased trading thereafter.

The notes on pages 20 to 37 form part of these financial statements.

The Thames Valley Community Rehabilitation Company Limited

Balance sheet as at 31 December 2021

	Note	31 Dec 2021 £'000	31 Dec 2020 £'000
Current assets			
Pension re-imbursement asset	13	-	**21,044**
Intangible assets	8	-	**142**
Tangible assets	9	-	**87**
Debtors - amounts falling due within one year	10	**165**	**4,488**
Cash at bank and in hand		**16,578**	**1,845**
Total current assets		**16,743**	**27,606**
Current liabilities			
Creditors: amounts falling due within one year	12	**(11,495)**	**(2,739)**
Pension liability	13	-	**(21,044)**
Total current liabilities		**(11,495)**	**(23,783)**
Net current assets		**5,248**	**3,823**
Net assets		**5,248**	**3,823**
Capital and reserves			
Called up share capital	14	-	-
Profit and loss account		**5,248**	**3,823**
Total capital and reserves		**5,248**	**3,823**

The notes on pages 20 to 37 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 29 September 2022 and signed on its behalf by:

Ian Mulholland

Mr Ian Fisher Mulholland
Director
Company no: 08802542

The Thames Valley Community Rehabilitation Company Limited

Statement of Changes in Equity for the year ended 31 December 2021

	Called up Share Capital £'000	Profit and loss account £'000	Total £'000
As at 1 January 2020	-	2,882	2,882
Profit for financial year	-	941	941
Total Comprehensive Income	-	**941**	**941**
As at 31 December 2020	-	**3,823**	**3,823**
As at 1 January 2021	-	3,823	3,823
Profit for financial year	-	1,425	1,425
Total Comprehensive Income	-	**1,425**	**1,425**
As at 31 December 2021	-	**5,248**	**5,248**

The notes on pages 20 to 37 form part of these financial statements.

1 Accounting policies

The Thames Valley Community Rehabilitation Company Limited is a private company limited by shares incorporated in the United Kingdom and registered in England and Wales. The Company's functional currency is the British pound sterling. Its registered office is 6-9 Snow Hill, London, England, EC1A 2AY.

The financial statements have been prepared under the historical cost convention and are in accordance with applicable United Kingdom Accounting Standards and Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

The Company is consolidated into the financial statements of the top company in the UK Group, Management & Training Corporation (UK) Limited, which may be obtained from their registered office at 6-9 Snow Hill, London, England, EC1A 2AY.

The following principal accounting policies have been applied consistently in the current year:

Going concern

In May 2019, The Ministry of Justice ("MoJ") announced plans for the future of probation. Under the plans, it announced the National Probation Service will be responsible for managing all service users on community order or license following their release from prison in England and Wales. With a clearly defined role for the voluntary and private sector in the delivery of unpaid work, accredited programmes and resettlement and rehabilitative initiatives.

In December 2019, the Company signed an Extension Agreement with the MoJ to extend the current Probation contracts to 25 June 2021, under the extension period the main Fee-For-Service revenue mechanism was replaced by a cost-plus mechanism for the period December 2020 to June 2021.

In June 2020, the MoJ announced a revision to their May 2019 announcement for the future of probation. Under the revision the delivery of unpaid work and behavioural-change programmes will also be brought under the control of the National Probation Service alongside managing service users on community order or license. The change took effect and ended our probation contract on 25 June 2021.

As the Company ceased trading on 26 June 2021, the financial statements have not been prepared on a going concern basis. The financial statements have therefore been prepared under FRS 102, but on a basis other than that of the going concern basis. This basis includes, where applicable, for the year ended 31 December 2020, reclassifying fixed assets to current assets and long-term liabilities reclassified as current liabilities. The assets were subsequently transferred to The National Probation Service or written off in June 2021. It is the intention of the directors to wind up operations of the company in due course.

1 Accounting policies *(continued)*

Turnover

Turnover is the total amount receivable by the Company for goods supplied and services provided, excluding VAT. Turnover from other contract activities represents fee income receivable in respect of services provided during the period. Estimates are included of amounts not yet invoiced. The Company defers other fees receivable and brings these fees into revenue in line with the degree of completion of the service delivery. Any service penalties are accrued as a deduction to revenue as they are occurred.

The only exception is Payment by Results (PbR) income that has previously been recognised when estimation uncertainty is low enough to allow a meaningful estimation to be made. However, in the year ended 31 December 2021, PbR revenue recognition has been accelerated as a result of the uncertainty being removed and a final settlement agreement being reached with the MoJ.

Tangible fixed assets and depreciation

Assets are stated at cost less accumulated depreciation. Depreciation is calculated to write down the cost less estimated residual value of all tangible assets by equal annual instalments over their expected useful lives. The deprecation charge appears in the administrative expenses line on the Profit and Loss Account and Other Comprehensive Income. The rates generally applicable are:

Fixtures, Fittings, tools and equipment - 20%

Plant and machinery - 20%

Intangible fixed assets and amortisation

Assets are stated at cost less accumulated amortisation. Amortisation is calculated to write down the cost less estimated residual value of all intangible assets by equal annual instalments over their expected useful lives. The amortisation charge appears in the administrative expenses line on the Profit and Loss Account and Other Comprehensive Income. The rates generally applicable are:

Other Intangibles - 20%

Software - 20%

1 Accounting policies *(continued)*

Financial instruments

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Debt instruments that have no stated interest rate (and do not constitute a financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Commitments to make and receive loans are measured at cost less impairment.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amount and the Company intends to settle on a net basis, or to realise the financial asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

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.

Impairment excluding 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.

1 Accounting policies *(continued)*

Impairment excluding deferred tax assets (continued)

- *Financial assets (including trade and other debtors) (continued)*

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 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 recognised for goodwill is not reversed. Impairment losses recognised for other assets are reversed only if the reasons for the impairment have ceased to apply.

1 Accounting policies *(continued)*

Impairment excluding deferred tax assets (continued)

- *Financial assets (including trade and other debtors) (Continued)*

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.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that the recognition of deferred tax assets is limited to the extent that the Company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date. Deferred tax balances are not discounted.

Pension costs

The amount charged to the Income Statement represents the contributions payable by the Company to both the defined benefit and defined contribution pension schemes previously run by the Company.

Pension costs – defined contribution scheme

Until 25 June 2021, the Company participated in a defined contribution scheme for the benefit of its employees. This scheme was administered by the Royal London. The Company paid a fixed contribution into the pension plan after which there is no further payment obligation. Amounts not paid were accrued in the balance sheet until the payment was made. The assets of this plan are held separately from the Company's assets within an independently administered fund.

Pension costs - defined benefit schemes

Until 25 June 2021, the Company also participated in defined benefit pension schemes for the benefit of its employees. The assets of these schemes are administered by trustees in funds independent from the assets of the Company. The Company had one employee who participated in the Civil Service Pension Scheme administered by MyCSP Limited. The majority of employees in the Company with defined benefit pension schemes participated in the Local Government Pension Scheme ("LGPS") administered by the Greater Manchester Pension Fund ("GMPF").

1 Accounting policies *(continued)*

Pension Cost – GMPF

Employees that transferred to the Company from Thames Valley Probation Trust and were at the time enrolled in the LGPS were covered by the Staff Transfer Scheme, which was incorporated into the contract between the MoJ and the Company. The scheme was closed to new CRC employees.

Eligible employees were covered by the provisions of the LGPS which is a funded defined benefit scheme. Retirement benefits are determined independently of the investments of the scheme and employers are obliged to make additional contributions where the assets are insufficient to meet the retirement benefit. The pension scheme is subject to an independent triennial actuarial valuation to determine each employer's contribution rate. The last triennial actuarial valuation was conducted in March 2020.

The Company's contribution into the defined benefit pension scheme was capped at 14% of individual's pensionable salaries, any contribution above this rate was reimbursed to the Company by the MoJ. The Company has no obligation to meet the cost of any deficits on the scheme. The Secretary of State for Justice has provided a guarantee to the GMPF for pension liabilities that transferred to the CRCs. On this basis, the Scheme has been accounted for as a defined benefit scheme and a liability in respect of any pension deficit has been recognised on the Balance Sheet. A corresponding pension reimbursement asset from the MoJ has also been recognised. Movement in the defined benefit pension scheme liability and the reimbursement asset are recognised in the appropriate caption in the profit and loss account and other comprehensive income.

Employer contributions to the pension scheme were £238k for the year ended 31 December 2021 (2020: £456k).

Operating leases

Rentals under operating leases (net of any incentives received from the lessor) are charged to the Profit and Loss Account and Other Comprehensive Income on a straight-line basis.

Foreign Currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Exchange differences are recognised in profit or loss in the period in which they arise.

Contract Mobilisation Costs

These are the set-up costs of IT infrastructure, including laptops and telephones capitalised at the start of the Probation contract to allow us to operate.

2 Turnover

Turnover and profit before tax are attributable to the principal activity of providing rehabilitation services. Any service penalties are accrued as a deduction to revenue as they are occurred. All turnover arises solely within the UK.

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on the professional judgement of experts and other factors. Actual results may differ from these estimates.

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

The following are the critical estimates that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Key sources of estimation uncertainty

Recognition of payment by results (PbR) revenue
The payment mechanism in the CRC Secretary of State probation contract made provisions for bonus payments and penalty deductions according to the CRC's performances in reducing re-offending rates against contractual baselines. Uncertainties relating to the actual re-offending rates of the cohorts of service users who were under the supervision of the CRC in the assessment period meant that it was not possible to calculate any potential bonus or penalty with adequate certainty until the measurement period was nearly completed. Although any potential bonus or penalty was not recognised until the measurement period was finished, there was still the following analysis period where any potential bonus or penalty could have been subject to change. Following cessation of the contract on 25 June 2021 the Company entered into a settlement agreement with the MoJ relating to the PbR revenue, this removed the estimation uncertainty and therefore allowed the Company to recognise revenue for the year ended 31 December 2021 based on that agreement (see note 20). This resulted in £0.8m PbR income for the year ended 31 December 2021 (year ended 31 December 2020: £2.7m).

Impairment Review
For the year ended 31 December 2020, given the uncertainty around the future of the Company's involvement in probation services past June 2021, an impairment review was carried out. This review showed that the carrying value of the assets forming the cash generating unit at 31 December 2020 could be supported by the future cash flows expected to be derived. The carrying amount of the net assets making up the cash generating unit as at 31 December 2020 was £0.2m.

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Deferred Tax Asset
Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary deductible differences or tax loss carry forwards can be utilised.

There are no critical judgements for the year ended 31 December 2021.

4 Information regarding directors and employees

The Company financial statements include part of the remuneration of one of the Company's Directors (the year ended 31 December 2020: includes the full remuneration of two Directors). During the year ended 31 December 2021, three Directors were employed by the Company's parent company Management & Training Corporation Limited, therefore their remuneration is included in Management & Training Corporation Limited's financial statements.

Remuneration of the Director paid by The Thames Valley Community Rehabilitation Company Limited in respect of their services to the Company, was as follows:

	31 Dec 2021 £'000	31 Dec 2020 £'000
Directors' remuneration	**8**	22

The total remuneration figure for the 12 months ended 31 December 2021 includes £nil (2020: £5k) of pension contributions.

The Company does not have a set Chairman; a member of the Board is appointed Chairman each time the Board convenes.

There was one (2020: one) director directly employed by the Company to whom retirement benefits were accrued during the year. The director belonged to a Defined Benefit Pension scheme (guaranteed by the Secretary of State). The aggregate amount of compensation for loss of office paid to directors in the year was £nil (2020: £nil).

Monthly average number of persons employed	31 Dec 2021 No	31 Dec 2020 No
Operations	**96**	187
Administration	**15**	37
	111	**224**

4 Information regarding directors and employees (continued)

Staff costs during the year (including directors)

	31 Dec 2021 £'000	31 Dec 2020 £'000
Wages and Salaries	**3,008**	6,102
Social security costs	**259**	531
Pension costs	**343**	546
	3,610	7,179

Redundancy costs of £nil (year ended 31 December 2020: £62k) were recognised in the year.

5 Net finance costs

	31 Dec 2021 £'000	31 Dec 2020 £'000
Other interest receivable and similar income	**128**	-
Other interest receivable	**128**	**-**

6 Profit before taxation

	31 Dec 2021 £'000	31 Dec 2020 £'000
Profit before taxation is stated after charging:		
Depreciation - owned tangible assets	**16**	**35**
Amortisation – owned intangible assets	**142**	**247**
Loss on disposed fixed asset	**71**	**8**
Lease rentals - property	**70**	**218**
Defined Benefit Pension Scheme Contribution	**238**	**456**
Fees payable to the Company's Auditor for the audit of the Company's financial statements	**10**	**10**

7 Tax on profit

	31 Dec 2021 £'000	31 Dec 2020 £'000
Current tax		
UK corporation tax charge		
- current year	329	(102)
- adjustment in respect of prior periods	-	-
Total current tax charge/(credit) for the period	329	(102)
Deferred tax		
- Origination & reversal of temporary Differences	27	347
- Deferred tax adjustment in respect of prior periods	(12)	81
- Impact of rate change on opening balance	(7)	(37)
Total deferred tax charge (note 11)	8	391
Total tax charge on profit on ordinary activities	337	289

The current tax charge for the year is higher (2020: higher) than the standard rate of corporation tax in the UK of 19%. The differences are explained below.

	31 Dec 2021 £'000	31 Dec 2020 £'000
Profit before tax	1,762	1,230
Tax at 19% (2020: 19%) effective rate	335	234
Effects of:		
Expenses not deductible	14	11
Impact of statutory rate change	(7)	(37)
Impact of difference between corporation tax and deferred tax rate	7	-
Adjustments in respect of prior periods	(12)	81
Total current tax charge for the year	337	289

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2021) was substantively enacted on 6 September 2016. The March 2021 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2021, and this change was substantively enacted on 17 March 2021.

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly.

7 Tax on profit (*continued*)

On 23 September 2022 the Chancellor of the Exchequer announced that the corporation tax rate will remain at 19% from 1 April 2023, reversing a previously enacted measure to increase the rate to 25%. This reversal in the tax rate from 1 April 2023 has not been enacted or substantively enacted and accordingly has no impact on the tax balances at 31 December 2021. The potential impact of this change on the deferred tax balances at 31 December 2021 is expected to be immaterial.

8 Intangible fixed assets

	Assets under construction £'000	Other Intangibles £'000	Total £'000
Cost			
At 1 January 2021	-	1,478	1,478
Disposed of		(1,478)	(1,478)
At 31 December 2021	**-**	**-**	**-**
Amortisation			
At 1 January 2021	-	1,336	1,336
Provided in year		142	142
Disposed of	-	(1,478)	(1,478)
At 31 December 2021	**-**	**-**	**-**
Net book value			
At 31 December 2021	**-**	**-**	**-**
At 31 December 2020	-	142	142

9 Tangible fixed assets

	Fixtures, Fittings, Tools and Equipment £'000	Plant and Machinery £'000	Total £'000
Cost			
At 1 January 2021	28	264	292
Disposed of	(28)	(264)	(292)
At 31 December 2021	-	-	-
Depreciation			
At 1 January 2021	26	179	205
Provided in the year	3	13	16
Disposed of	(29)	(192)	(221)
At 31 December 2021	-	-	-
Net book value			
At 31 December 2021	-	-	-
At 31 December 2020	2	85	87

10 Debtors

	31 Dec 2021 £'000	31 Dec 2020 £'000
Amounts falling due within one year:		
Trade debtors	-	198
Other debtors	1	58
Deferred tax assets (note 11)	-	8
Prepayments and accrued income	164	4,224
Total current debtors	165	4,488

11 Deferred tax assets

Details of the deferred tax asset, and amounts recognised in profit or loss is as follows:

	Fixed asset temporary differences £'000	Short-term temporary differences £'000	Temp differences deferred mobilisation costs £'000	Losses recognised £'000	Total £'000
At 1 January 2020	3	13	-	302	318
Charged to P&L	(9)	1	-	(302)	(310)
As at 31 December 2020	(6)	14	-	-	8
Prior period adjustment	12	-	-	-	12
Impact of rate change (17% to 19%	2	5	-	-	7
Charge to P&L	(8)	(19)	-	-	(27)
As at 31 December 2021	-	-	-	-	-

Deferred taxes at the balance sheet date have been measured using these enacted tax rates and are reflected in these financial statements.

12 Creditors

	31 Dec 2021 £'000	31 Dec 2020 £'000
Amounts falling due within one year		
Trade creditors	-	17
Amounts owed to group undertakings	11,367	445
Corporation tax	-	-
Other creditors	-	87
Other taxes and social security	61	1,652
Accruals and deferred income	67	538
Total creditors due within one year	**11,495**	**2,739**

Amounts due to fellow group undertakings are unsecured and repayable on demand and relate to amounts owed to the Company's parent company Management & Training Corporation Limited and fellow subsidiary company The London Community Rehabilitation Company Limited. Amounts totalling £3,024k (2020: £393k) and £8,343k (2020: £52k) are expected to be settled in less than one year. Interest rates are nil.

13 Pensions

Pension costs – defined contribution scheme

During the year, the Company participated in a defined contribution scheme for the benefit of its employees. This scheme was administered by the Royal London. The Company paid a fixed contribution into the pension plan after which there is no further payment obligation. Amounts not paid were accrued in the balance sheet until the payment was made. The assets of this plan are held separately from the Company's assets within an independently administered fund. The Company ceased participation in this fund on 25 June 2021 when the employees transferred to the MoJ. Employer contributions to the pension scheme were £105k for the year ended 31 December 2021 (2020: £212k).

Pension costs - defined benefit schemes

During the year, the Company participated in defined benefit pension schemes for the benefit of its employees. The assets of these schemes are administered by trustees in funds independent from the assets of the Company. The Company had one employee who participated in the Civil Service Pension Scheme administered by MyCSP Limited. The majority of employees in the Company with defined benefit pension schemes participated in the Local Government Pension Scheme ("LGPS") administered by the Greater Manchester Pension Fund ("GMPF"). The Company ceased participation in these funds on 25 June 2021 when the employees transferred to the MoJ.

Pension Cost – GMPF

Employees that transferred to the Company from Thames Valley Probation Trust and were at the time enrolled in the LGPS were covered by the Staff Transfer Scheme, which was incorporated into the contract between the MoJ and the Company. The scheme was then closed to new employees.

13 Pensions *(continued)*

Pension Cost – GMPF (continued)

Eligible employees are covered by the provisions of the LGPS which is a funded defined benefit scheme. Retirement benefits are determined independently of the investments of the scheme and employers are obliged to make additional contributions where the assets are insufficient to meet the retirement benefit. The pension scheme is subject to an independent triennial actuarial valuation to determine each employer's contribution rate. The last triennial actuarial valuation was conducted in March 2020.

The Company's contribution into the defined benefit pension scheme was capped at 14% of individual's pensionable salaries, any contribution above this rate was reimbursed to the Company by the MoJ. The Company has no obligation to meet the cost of any deficits on the scheme. The Secretary of State for Justice has provided a guarantee to the GMPF for pension liabilities that transferred to the CRCs. On this basis, the Scheme has been accounted for as a defined benefit scheme and a liability in respect of any pension deficit has historically been recognised on the Balance Sheet. A corresponding pension reimbursement asset from the MoJ has also been recognised, however this scheme ceased for the Company on 25 June 2021 when the employees transferred to the MoJ, therefore there is no balance remaining as at 31 December 2021 because the Company no longer has any obligations within the fund. The Company did have a potential obligation arising due to early retirement. Movement in the defined benefit pension scheme liability and the reimbursement assets were recognised in the appropriate caption in the profit and loss account and other comprehensive income.

Employer contributions to the pension scheme were 14% (2020:14%) for the year ended 31 December 2021. Employer contributionns to the pension scheme were £238k for the year ended 31 December 2021 (2020: £456k). Total pensions costs in note 4 includes accruals for ill health pension strain.

Net pension liability

	31 Dec 2021 £'000	31 Dec 2020 £'000
Defined benefit obligation	-	(49,551)
Plan assets	-	28,507
	-	**(21,044)**

13 Pensions (continued)

Movement in present value of defined benefit obligation

	31 Dec 2021 £'000	31 Dec 2020 £'000
At 1 Jan	(49,551)	(37,889)
Current service cost	(862)	(1,283)
Interest expense	(322)	(770)
Actuarial loss	2,364	(9,870)
Contributions by members	(95)	(192)
Benefits paid	223	453
Effect of settlements	48,243	-
At 31 Dec	**-**	**(49,551)**

Movements in fair value of plan assets

	31 Dec 2021 £'000	31 Dec 2020 £'000
At 1 Jan	28,507	27,223
Interest income	182	548
Re-measurement; return on plan assets less interest	2,333	541
Contributions by employer	238	456
Contributions by members	95	192
Benefits paid	(223)	(453)
Effect of settlements	(31,132)	-
At 31 Dec	**-**	**28,507**

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

	31 Dec 2021 £'000	31 Dec 2020 £'000
At 1 Jan	21,044	10,666
Re-measurement through other comprehensive income	(4,697)	9,329
Re-measurement through profit and loss	764	1,049
Effect of settlements	(17,111)	-
At 31 Dec	**-**	**21,044**

13 Pensions (continued)

Income/Expense recognised in the profit and loss

	31 Dec 2021 £'000	31 Dec 2020 £'000
Current service cost	862	1,283
Past service cost	-	-
Interest	140	222
Less reimbursement	(764)	(1,049)
Profit and loss cost	**238**	**456**

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

	31 Dec 2021 £'000	31 Dec 2020 £'000
Equities	-	19,955
Corporate bonds	-	4,276
Property	-	1,995
Cash	-	2,281
Total net recognised in profit and loss	**-**	**28,507**

Actual return on plan assets

	31 Dec 2021 £'000	31 Dec 2020 £'000
Actual return on plan assets	2,333	541

Principal actuarial assumptions were as follows

	31 Dec 2021 %	31 Dec 2020 %
Discount rate	1.85	1.35
Future salary increases	3.55	3.2
Pension increase rate	2.8	2.45

In valuing the pension fund up to the date of cessation, mortality assumptions were made relating to longevity. The underlying pension liabilities up to the balance sheet date were based on standard actuarial mortality tables and include an allowance for future improvements in longevity.

The assumptions were based on the following:
> Current pensioner aged 65: 20.5 years (male) and 23.3 years (female)
> Future retiree upon reaching 65: 21.9 years (male) and 25.3 years (female).

14 Share capital

	31 Dec 2021 £	31 Dec 2020 £
Issued, called up and fully paid		
10 ordinary shares of £1 each	10	10
Issued, called up and fully paid		
1 special redeemable preference share of £1	1	1
	11	11

Each ordinary share is entitled to one vote in any circumstance.
The special redeemable preference share has no voting rights.

The only other reserve the Company has is the Profit and Loss reserve which represents the cumulative results for the Company since inception.

15 Financial Instruments

The Company has finance assets and finance liabilities of a kind that qualify as basic financial instruments. Assets are initially recognised at transaction value and subsequently measured at amortisation cost. Liabilities are initially recognised at transaction cost and measured at amortisation cost.

16 Financial and capital commitments

At 31 December 2021, the Company had total future minimum payments for non-cancellable operating lease commitments that expire:

	Other 31 Dec 2021 £'000	Property 31 Dec 2021 £'000	Total 2021 £'000	Other 31 Dec 2020 £'000	Property 31 Dec 2020 £'000	Total 2020 £'000
Within one year	-	-	-	5	-	5
In second to fifth year	-	-	-	-	-	-
After fifth year	-	-	-	-	-	-
Total lease commitments	-	-	-	5	-	5

The Company had no financial commitments at 31 December 2021 (31 December 2020: £nil).

17 Contingent liabilities

There were no contingent liabilities at 31 December 2021 (31 December 2020: £nil).

18 Related Party transactions

During the year ended 31 December 2021, management recharges of £2.6m (2020: £4.9m) became payable to Management & Training Corporation Limited.

As of 31 December 2021, The Thames Valley Community Rehabilitation Company owed Management & Training Corporation Limited £3.0m (2020 £0.4m), and owed London Community Rehabilitation company £8.3m (2020: £38k) the amounts are expected to be settled in less than one year and are repayable on demand.

19 Ultimate parent undertaking

The immediate parent undertaking of the Company is Management & Training Corporation Limited. The smallest group to consolidate these financial statements is Management & Training Corporation (UK) Limited, a company registered in England and Wales. Copies of these group financial statements can be obtained from its registered office:

Head Office
6-9 Snow Hill,
London
England
EC1A 2AY

Management & Training Corporation Limited is wholly owned by Management & Training Corporation (UK) Limited.

The ultimate parent undertaking and controlling party of Management & Training Corporation (UK) Limited is Management & Training Corporation, a private company incorporated in the USA, registered office:

500 North Marketplace Drive
Centerville, UT 84014, USA

20 Subsequent events

There were no reportable subsequent events after the reporting period end of 31 December 2021.