

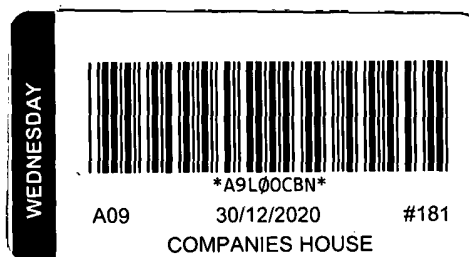
**The London Community
Rehabilitation Company Limited**

**Annual Report and Financial
Statements**

For the year ended

31 December 2019

Company no. 08802553



The London Community Rehabilitation Company Limited

Report and financial statements for the year ended 31 December 2019

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The London Community Rehabilitation Company Limited

Report and financial statements for the year ended 31 December 2019

Directors and Company Information

Directors

Kirsty Marie Blair
Martin Phillip Copsey

Company Secretary

Dr Aoife Marie McGuinness

Registered Office

Floor 5, Capital Tower, 91 Waterloo Road, London SE1 8RT

Company Number

08802553

Bankers

RBS
3rd Floor
280 Bishopsgate
London EC2M 4RB

Auditor

KPMG LLP
15 Canada Square
London E14 5GL
United Kingdom

The London Community Rehabilitation Company Limited

Strategic Report for the year ended 31 December 2019

The Directors present their Strategic Report for the year ended 31 December 2019.

Principal activities

The Company was incorporated in the United Kingdom and is principally engaged in the justice sector and judicial activity of providing rehabilitation services. There have been no changes in the Company's activities during the year. Its principal place of business is London, and its Head Office is: Floor 5, Capital Tower, 91 Waterloo Road, London SE1 8RT.

The Company's main revenue streams have been contracted with the Secretary of State for Justice until June 2021.

In September 2018, the Company signed a Variation Agreement with the Ministry of Justice ("MoJ") with respect to material alterations to the payment mechanism under their Amended & Restated Service Agreement (the "Agreement"). This amended the baseline for payment or penalty by results to reflect the time period deemed to be under control of the Company and agreed additional funding for Through the Gate services for service users from custody.

The Agreement also provided an option for the MoJ to terminate the original Contracts early (previous expiry date 31 January 2022). This option was exercised by the MoJ in December 2018, with a proposed exit date of 4 December 2020.

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 is replaced by a cost-plus mechanism.

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 will take effect at the end of the current Probation contract which is currently scheduled to be 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 for the year is set out on page 17 and shows turnover of £71.5m (year ended 31 December 2018: £69.6m (restated)) and a loss after tax of £1.2m (year ended 31 December 2018 profit after tax of : £2.9m (restated)). 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. The contract is currently scheduled to end in June 2021.

*The Company has restated its previously reported financial statements as at the year ended 31 December 2018 and all related disclosures (see note 2).

The London Community Rehabilitation Company Limited

Strategic report for the year ended 31 December 2019 (continued)

Key performance indicators (continued)

The MoJ probation contracts specify the required performance and Key Performance Indicators (KPIs) that are used to measure monthly performance of the CRC. Each KPI has established performance targets in the contract that the CRC is evaluated against. The KPIs coincide 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 to 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.

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 a new project, the "Quality Pilot". During the project, the KPIs remained in place and were measured and accrued in the background for the purposes of improving service and potential future service credits, but during the pilot, the Company performance was measured against quality indicators with an agreed audit mechanism.

The Quality Pilot completed on 31 March 2020, during the pilot the Company made significant investment into our focus on the quality delivery of services and significant progress against our internal quality agenda. However, due to the disconnect between contractual activity based KPI's and the pilots service measures, we continued to accrue some service credit penalties.

In the year ending 31 December 2019, 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 know what quality looks like and the organisation is consistently working to the same standards.

The Company's Ambition 2020 Change Plan was revised into the London Community Rehabilitation Community Limited Continuous Improvement Plan and developed to drive change across the business; delivering detailed projects and initiatives to improve and transform London Community Rehabilitation Community Limited into a high-performing organisation.

The London Community Rehabilitation Company Limited is continuing to see improving Quality and Performance as a result of the initiatives being implemented in the business.

The London Community Rehabilitation Company Limited

Strategic report for the year ended 31 December 2019 (continued)

Key performance indicators (continued)

These projects and initiatives include:

- The Grid: designed to ensure the work of our Responsible Officers is firmly rooted in the principles of risk, need and responsibility and to support evidence-based professional judgement around the minimum offer of supervision and interventions.
- Admin support services: to manage Community Payback logistics, case allocations, data quality and case management administration (including enforcement), which frees up significant time for our Responsible and Senior Probation Officers.
- Other work completed in the year included:
 - Full implementation of our Quality Assurance Framework, which includes monthly and quarterly audits and feedback to Responsible Officers and Senior Probation Officers.
 - The development and embedding of Management Information, including our Responsible Officer dashboard.
 - Full roll out and implementation of our case management system (Omnia).

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 2019, a dedicated Transformation team was established at Group level who oversee 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.

Contract risk

There is a reliance upon the key Secretary of State contract. The length of the contract (currently contracted to June 2021) mitigates some of the risks until June 2021 as it decreases revenue volatility and gives greater insight into future income levels which has enabled the Company to proactively manage its cost base.

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 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 will take effect at the end of the current Probation contract, which is currently scheduled to be 25 June 2021.

The London Community Rehabilitation Company Limited

Strategic report for the year ended 31 December 2019 (continued)

Principal risks and uncertainties (continued)

The payment mechanism in the current CRC Secretary of State contract makes provision 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 are under the supervision of the CRC in the assessment period mean that it is not possible to calculate any potential bonus or penalty with adequate certainty until the measurement period is completed. Although any potential bonus or penalty is not recognised until the measurement period finished, there is still the following analysis period where any potential bonus or penalty may be subject to change.

While COVID-19 brings additional operational challenges in 2020, the Company is actively managing these and doesn't expect our projected 2020 results to be materially impacted by COVID-19.

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.

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.

The London Community Rehabilitation Company Limited

Strategic report for the year ended 31 December 2019 (continued)

Section 172 Statement (continued)

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.

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

11The 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 an annual employees engagement survey, 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.

The London Community Rehabilitation Company Limited

Strategic report for the year ended 31 December 2019 (continued)

Section 172 Statement (continued)

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.

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 as 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 and the young people at the STC, 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 and the young people at the STC 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 and Young People is at the forefront of decisions made.

The London Community Rehabilitation Company Limited

Strategic report for the year ended 31 December 2019 (continued)

Section 172 Statement (continued)

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.

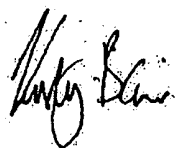
When we begin working with a service user, we are not only trying to transform their life, but also to improve community safety.

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.

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:



Mrs Kirsty Marie Blair
Director
23 December 2020

The London Community Rehabilitation Company Limited

Report of the Directors for the year ended 31 December 2019

The Directors present their report on the affairs of the Company together with the audited financial statements for the year ended 31 December 2019.

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

Kirsty Marie Blair
Martin Phillip Copsey (Appointed 29/06/2020)
Gabriel Oghenerhoro Amahwe (Resigned 31/03/2020)
David Hood (Resigned 29/06/2020)

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

After making enquiries on business reporting's and based on the assumptions outlined in the financial statements, the Directors have concluded that the Company has adequate resources to continue in operational existence until the foreseeable future. For this reason, the Company continues to adopt the going concern basis in preparing the financial statements.

There is a material uncertainty over the companies operating future beyond the end of the current probation contract, which ends 25 June 2021. If no further contracts are won, the Company may cease trading in 2021. This will depend on the ability of the Company to win future contracts that will continue beyond this point.

In addition, subsequent to the year end, COVID-19 has been declared a global pandemic and this has impacted both the company and the wider economy.

The Directors have therefore prepared detailed cash flow forecasts to the period ending June 2021 on both a base case and on the basis of a severe but plausible downside scenario. Taking this into account the Company will have sufficient funds to meet its liabilities as they fall due for that period. This has taken into account a change in the Transforming Rehabilitation contract whereby from December 2020 the contract will move onto a cost-plus basis.

Please see the Review of business and future developments section below for details on the future operating model of the Company.

Dividends

No dividends were paid by the Company during the year ended 31 December 2019 (2018: £nil). The Directors do not recommend the payment of a final dividend.

Review of business and future developments

The Profit and Loss Account for the year is set out on page 17 and shows turnover of £71.5m (year ended 31 December 2018: £69.6m (restated)) and a loss after tax of £1.2m (year ended 31 December 2018 profit after tax of : £2.9m (restated)). The loss after tax in the year ending 31 December 2019 is due to a decrease in contracted revenue year-on-year and an increase in the

The London Community Rehabilitation Company Limited

Report of the Directors for the year ended 31 December 2019 (continued)

Review of business and future developments (continued)

contracted cost base. During the year ended 31 December 2019, £nil was spent on Research and Development activities (year ended 31 December 2018: £nil).

The Company has restated its previously reported financial statements as at the year ended 31 December 2018 and all its related disclosures (see note 2).

In May 2019, the MoJ announced plans for the future of probation. Under the plans, 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.

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 will take effect at the end of the current Probation contract, which is currently scheduled to be 25 June 2021.

Following the referendum on the UK's membership of the European Union (EU) held in June 2016, the UK voted to leave the EU. The Directors believe this will have minimal impact on the day to day running of the Company, the Company's current contract is not EU funded and thus it is not reliant on EU money.

During 2020, the Company is being impacted by the global COVID-19 pandemic, in March 2020 we 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. However, the EDM is now evolving as we build back up to business as usual.

From 1 April to 31 August 2020, the MoJ has provided certain revenue reliefs to the Company due to the COVID-19 pandemic, therefore our staff numbers have been maintained and all Subcontractors have continued to be paid as normal. While COVID-19 brings additional operational costs in 2020, the Company is actively managing these and does not expect our projected 2020 results to be materially impacted by COVID-19.

Following the Governments publication of its COVID-19 recovery strategy, with the easing of lockdown restrictions, the Company is currently developing its exit strategy to move out of the Exceptional Delivery Model. Before the end of our COVID-19 relief period (currently 31 August 2020), the Company will work with the MoJ to agree our COVID-19 transition plan.

Overall, the Directors are confident of further continued sustainable turnover in the year ended 31 December 2020.

There have been no other events since the balance sheet date which materially affect the position of the Company.

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.

The London Community Rehabilitation Company Limited

Report of the Directors for the year ended 31 December 2019 (continued)

Financial risk management objectives and policies (continued)

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 £18k (31 December 2018: £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 2019 were £17.4m (31 December 2018: £23.8m). In addition, Management & Training Corporation (UK) Limited has a credit line of up to US\$23.0m with its parent Management & Training Corporation. At 31 December 2019, £10.0m of the credit line was drawn down (31 December 2018: £10.0m).

As at 31 December 2018, Management & Training Corporation Limited (The London Community Rehabilitation Company's parent Company) also had a £15.0m credit line available from Novo Community Limited (£10.0m of which was drawn down). This amount was repaid in January 2019, following Novo Community Limited selling its share in Management & Training Corporation Limited to Management & Training Corporation (UK) Limited.

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\$23.0m with its parent Management & Training Corporation.

The London Community Rehabilitation Company Limited

Report of the Directors for the year ended 31 December 2019 (continued)

Employees

The London 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 London 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 aim 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 London Community Rehabilitation Company. Making this happen is the responsibility of everyone who is employed by, contracted to, supplies and uses The London Community Rehabilitation Company and its services.

To achieve this 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 assess 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

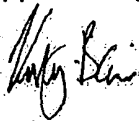
Each of the persons who is a Director at the date of approval of this report confirms that:

- 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:



Mrs Kirsty Marie Blair
Director

23 December 2020

The London Community Rehabilitation Company Limited

The London Community Rehabilitation Company Limited

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report, the Director's 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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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; and
- 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.

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.

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

Opinion

We have audited the financial statements of The London Community Rehabilitation Company Limited ("the company") for the year ended 31 December 2019 which comprise the profit and loss account and statement of 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 2019 and of its loss 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.

Going concern

Material Uncertainty related to Going Concern

We draw attention to note 1 of the financial statements which indicates that the Company derives all its revenue from a single contract with the Ministry of Justice and this contract is due to end on 25 June 2021. If no further contracts are won, the Company may cease trading in 2021. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the company and the parent company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

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

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.

Directors' responsibilities

As explained more fully in their statement set out on page 13, 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.

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

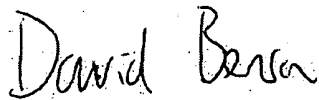
Auditor's responsibilities

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.



David Benson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL
United Kingdom
23 December 2020

The London Community Rehabilitation Company Limited

Profit and Loss and Other Comprehensive Accounts for the year ended 31 December 2019

	Note	31 Dec 2019 £'000	Restated* 31 Dec 2018 £'000
Turnover	3	71,540	69,574
Cost of sales		(45,795)	(44,781)
Gross profit		25,745	24,793
Administrative expenses		(27,110)	(21,448)
Operating (loss) / profit		(1,365)	3,345
Interest receivables	6	4	5
Interest payables	6	-	(68)
(Loss) / profit before taxation	7	(1,361)	3,282
Tax (credit) / charge on (loss) / profit	8	128	(355)
(Loss) / profit for the financial year		(1,233)	2,927
Other comprehensive income, net of tax			
Re-measurement of pension liability	15	(4,846)	7,305
Re-measurement of reimbursement assets	15	4,846	(7,305)
Total comprehensive (expense) / income, net of tax		(1,233)	2,927

All transactions relate to continuing operations.

*The Company has restated its previously reported financial results for the year ended 31 December 2018 and all related disclosures (see note 2).

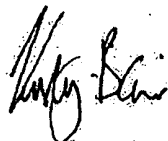
The notes on pages 20 to 42 form part of these financial statements.

The London Community Rehabilitation Company Limited

Balance sheet as at 31 December 2019

	Note	31 Dec 2019 £'000	Restated* 31 Dec 2018 £'000
Fixed assets			
Intangible assets	9	1,731	3,522
Tangible assets	10	234	352
Total fixed assets		<u>1,965</u>	<u>3,874</u>
Current assets			
Debtors—amounts falling due within one year	11	18,712	17,413
Pension re-imbursement asset	15	32,820	22,536
Cash at bank and in hand		9,346	7,003
Total current assets		<u>60,878</u>	<u>46,952</u>
Current liabilities			
Creditors: amounts falling due within one year	13	(17,319)	(13,010)
Provisions: amounts falling due within one year	14	(533)	(1,876)
Total current liabilities		<u>(17,852)</u>	<u>(14,886)</u>
Net current assets		<u>43,026</u>	<u>32,066</u>
Total assets less current liabilities		<u>44,991</u>	<u>35,940</u>
Creditors: amounts falling due after more than one year			
Pension liability	15	(32,820)	(22,536)
Net assets		<u>12,171</u>	<u>13,404</u>
Capital and reserves			
Called up share capital	16	-	-
Profit and loss account		12,171	13,404
Total capital and reserves		<u>12,171</u>	<u>13,404</u>

The financial statements were approved and authorised for issue by the Board of Directors on 23 December 2020 and signed on its behalf by:



Mrs Kirsty Marie Blair
Director

Company no: 08802553

*The Company has restated its previously reported financial results for the year ended 31 December 2018 and all related disclosures (see note 2).

The notes on pages 20 to 42 form part of these financial statements.

The London Community Rehabilitation Company Limited

Statement of Changes in Equity at 31 December 2019

	Called up Share Capital £'000	Profit and loss account £'000	Total £'000
As at 1 January 2018	-	11,393	11,393
Restatement at 1 January 2018*	-	(916)	(916)
As at 1 January 2018 (restated*)	-	10,477	10,477
Profit for the financial period (restated*)	-	2,927	2,927
Total Comprehensive Income (restated*)	-	2,927	2,927
As at 31 December 2018 (restated*)	-	13,404	13,404
Loss for financial year	-	(1,233)	(1,233)
Total Comprehensive Loss	-	(1,233)	(1,233)
As at 31 December 2019	-	12,171	12,171

*The Company has restated its previously reported financial results for the year ended 31 December 2018 and all related disclosures (see note 2).

The London Community Rehabilitation Company Limited

Notes forming part of the financial statements for the year ended 31 December 2019

1. Accounting policies

The London 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 Floor 5, Capital Tower, 91 Waterloo Road, London SE1 8RT.

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 Floor 5, Capital Tower, 91 Waterloo Road, London SE1 8RT.

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

Going concern

The Directors have prepared the financial statements on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Company derives all its revenue from a single contract (Transforming Rehabilitation) with the Ministry of Justice. In June 2020, the Ministry of Justice announced the structure of the future probation contracts. Under the revision the delivery of unpaid work and behavioural-change programmes will be brought under the control of the National Probation Service alongside managing service users on community order on license. The change will take effect at the end of the current Probation contract on 25 June 2021. If no further contracts are won, the Company may cease trading in 2021. This will depend on the ability of the Company to win future contracts that will continue beyond this point.

In addition, subsequent to the year end, COVID-19 has been declared a global pandemic and this has impacted both the Company and the wider economy.

The Directors have therefore prepared detailed cash flow forecasts to the period ending June 2021 on both a base case and on the basis of a severe but plausible downside scenario. Taking this into account the Company will have sufficient funds to meet its liabilities as they fall due for that period. This has taken into account a change in the Transforming Rehabilitation contract whereby from December 2020 the contract will move onto a cost-plus basis.

The London Community Rehabilitation Company Limited

Notes forming part of the financial statements for the year ended 31 December 2019
(continued)

1 Accounting policies (continued)

Going concern (continued)

Based on these indications the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, given the circumstances around the end of the Transforming Rehabilitation contract, the Directors believe there is a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

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.

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 depreciation charge appears in the administrative expenses line on the Profit and Loss Account. 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. The rates generally applicable are:

Other Intangibles - 20%

Software - 20%

The London Community Rehabilitation Company Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

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 Group 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.

1. *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.

The London Community Rehabilitation Company Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

Provisions (continued)

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

- *Non-financial assets*

The carrying amounts of the entity's non-financial assets, other than [investment property, stocks and deferred tax assets], are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire group of entities into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss recognised for goodwill is not reversed. Impairment losses recognised for other assets is reversed only if the reasons for the impairment have ceased to apply. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

The London Community Rehabilitation Company Limited

Notes forming part of the financial statements for the year ended 31 December 2019
(continued)

1 Accounting policies (continued)

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 run by the Company.

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 pays a fixed contribution into the pension plan after which there is no further payment obligation. Amounts not paid are accrued in the balance sheet until the payment is made. The assets of this plan are held separately from the Company's assets within an independently administered fund.

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 has two employees who participate in the Civil Service Pension Scheme administered by MyCSP Limited. The majority of employees in the Company with defined benefit pension schemes participate in the Local Government Pension Scheme ("LGPS") administered by the Greater Manchester Pension Fund ("GMPF").

Pension Cost – GMPF

Employees that transferred to the Company from London 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 is closed to new employees.

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 April 2017.

The London Community Rehabilitation Company Limited

Notes forming part of the financial statements for the year ended 31 December 2019
(continued)

1 Accounting policies (continued)

Pension Cost – GMPF (continued)

The Company's contribution into the defined benefit pension scheme is capped at 14% of individual's pensionable salaries, any contribution above this rate is 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 statement of other comprehensive income.

Employer contributions to the pension scheme were £2.2m for the year ended 31 December 2019 (2018: £2.4m). The pensions cost in note 4 includes accruals for ill health pension strain.

Operating leases

Rentals under operating leases (net of any incentives received from the lessor) are charged to the P&L 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 Mobilisations costs

These are set up cost of IT infrastructure, including laptops, telephones done at the start of the contract to allow us to operate.

2 Prior year adjustments

1. Mobilisation costs

During the year it was identified that certain costs previously recognised as prepayments relating to contract mobilisation costs need to be classified to intangible assets as these costs relate to IT development that meets the definition of intangible assets under FRS 102. Contract mobilisation costs relate to IT development and staff costs in relation to setting up the community rehabilitation contracts. We further note that other costs relating to staff and training costs previously included in prepayments should have been expensed when incurred. The directors have therefore restated the prior period financial statements.

Refer to adjustment 1 below for impact to 2018 figures.

The London Community Rehabilitation Company Limited

Notes forming part of the financial statements for the year ended 31 December 2019
(continued)

2 Restatement of the 2018 financial results (continued)

2. Revenue recognition

During the year it was identified that revenue recognised in the prior year relating to service level credits under contract with the MoJ has been incorrectly released. Revenue should have been recognised based on costs incurred to complete the projects, but has been incorrectly released based on budgeted costs. The directors have therefore restated the prior period financial statements.

Refer to adjustment 2 below for impact to 2018 figures.

3. Pension asset and liability

The 2018 financial results have been restated to include the GMPF pension liability and an equal and opposite pension reimbursement asset from the MoJ, these were netted against each other in the 2018 financial statements and therefore not visible on the Balance Sheet. It has been determined that these amounts should be separated and shown individually as the asset and liability are held with different parties. The directors have therefore restated the prior period balances to correct for this. This restatement had no impact on the net assets and profit and loss account for the year ended 31 December 2018.

Refer to adjustment 3 below for impact to 2018 figures.

(i) Profit and loss account and other comprehensive income restatement

	As previously reported 31/12/2018 £'000	Adjustment 1 £'000	Adjustment 2 £'000	Adjustment 3 £'000	As restated 31/12/2018 £'000
Turnover	69,200	-	374	-	69,574
Cost of sales	(44,781)	-	-	-	(44,781)
Gross profit	24,419	-	374	-	24,793
Administrative expenses	(21,633)	185	-	-	(21,448)
Operating profit/(loss)	2,786	185	374	-	3,345
Net finance costs	(63)	-	-	-	(63)
Profit/(loss) before taxation	2,723	185	374	-	3,282
Tax on profit	(419)	135	(71)	-	(355)
Profit/(loss) for the financial year	2,304	320	303	-	2,927
Remeasurement of pension liability	-	-	-	7,305	7,305
Remeasurement of reimbursement asset	-	-	-	(7,305)	(7,305)
Total comprehensive income for the year	2,304	320	303	-	2,927

The London Community Rehabilitation Company Limited

Notes forming part of the financial statements for the year ended 31 December 2019
(continued)

2 Restatement of the 2018 financial results (continued)

(ii) 2018 closing balance sheet restatement

	As previously reported 31/12/2018	Adjustment 1	Adjustment 2	Adjustment 3	As restated 31/12/2018
	£'000	£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	-	3,522	-	-	3,522
Tangible assets	352	-	-	-	352
	352	3,522	-	-	3,874
Current assets					
Debtors: amounts falling due after more than one year	1,684	(1,684)	-	-	-
Debtors: amounts falling due within one year	19,918	(2,434)	(71)	-	17,413
Pension re-imbursement asset	-	-	-	22,536	22,536
Cash at bank and in hand	7,003	-	-	-	7,003
	28,605	(4,118)	(71)	22,536	46,952
Creditors: falling due within one year	(13,384)	-	374	-	(13,010)
Provision for liabilities	(1,876)	-	-	-	(1,876)
	(15,260)	-	374	-	(14,886)
Creditors: amounts falling due after more than one year					
Pension Liability	-	-	-	(22,536)	(22,536)
Net assets	13,697	(596)	303	-	13,404
Capital and reserves					
Called up share capital	-	-	-	-	-
Profit and loss account b/f	11,393	(916)	-	-	10,477
Profit / loss for the year	2,304	320	303	-	2,927
Total capital and reserves	13,697	(596)	303	-	13,404

The London Community Rehabilitation Company Limited

Notes forming part of the financial statements for the year ended 31 December 2019
(continued)

2 Restatement of the 2018 financial results (continued)

(iii) 2018 opening balance sheet restatement

	As previously reported 1/1/2018	Adjustment 1	Adjustment 2	Adjustment 3	As restated 1/1/2018
	£'000	£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	1,827	4,638	-	-	6,465
Tangible assets	567	-	-	-	567
	2,394	4,638	-	-	7,032
Current assets					
Debtors: amounts falling due after more than one year	-	-	-	-	-
Debtors: amounts falling due within one year	18,200	(5,554)	-	-	12,646
Pension re-imburement asset	-	-	-	24,434	24,434
Cash at bank and in hand	14,447	-	-	-	14,447
	32,647	(5,554)	-	24,434	51,527
Current liabilities					
Creditors: falling due within one year	(17,770)	-	-	-	(17,770)
Provision for liabilities	(1,878)	-	-	-	(1,878)
	(19,648)	-	-	-	(19,648)
Creditors: amounts falling due after more than one year					
Creditors: falling due after more than one year	(4,000)	-	-	-	(4,000)
Pension liability	-	-	-	(24,434)	(24,434)
	(4,000)	-	-	(24,434)	(28,434)
Net assets	11,393	(916)	-	-	10,477
Capital and reserves					
Called up share capital	-	-	-	-	-
Profit and loss account c/f	11,393	(916)	-	-	10,477
Total capital and reserves	11,393	(916)	-	-	10,477

The London Community Rehabilitation Company Limited

Notes forming part of the financial statements for the year ended 31 December 2019
(continued)

3 Turnover

Turnover and loss 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.

4 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 Group'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 pay by results (PbR) revenue

The payment mechanism in the current CRC Secretary of State contracts makes provision 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 are under the supervision of the CRC's in the assessment period mean that it is not possible to calculate any potential bonus or penalty with adequate certainty until the measurement period is nearly completed. Although any potential bonus or penalty is not recognised until the measurement period is nearly finished, there is still the following analysis period where any potential bonus or penalty may be subject to change. At 31 December 2019 £3.6m (2018: £1.6m) is included in accrued income in relation to PbR (see note 11).

Impairment Review

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 can 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 2019 was £12.2m.

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 2019.

The London Community Rehabilitation Company Limited

**Notes forming part of the financial statements for the year ended 31 December 2019
(continued)**

5 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 2018: includes part remuneration of two Directors). During the year ended 31 December 2019, two 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 London Community Rehabilitation Company Limited in respect of their services to the Company, was as follows:

	31 Dec 2019 £'000	31 Dec 2018 £'000
Directors' remuneration	139	149
Remuneration of the highest paid director	139	97

The total remuneration figure for the 12 months ended 31 December 2019 includes £15k (2018: £20k) of pension contributions, of which £15k (2018: £15k) relates to the highest paid director.

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

There was one (year ended 31 December 2018: two) directors 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 (year ended 31 December 2018: £nil).

	31 Dec 2019 No	31 Dec 2018 No
Monthly average number of persons employed		
Operations	872	862
Administration	20	40
	892	902

The London Community Rehabilitation Company Limited

Notes forming part of the financial statements for the year ended 31 December 2019
(continued)

5 Information regarding directors and employees (continued)

Staff costs during the year (including directors)

	31 Dec 2019 £'000	31 Dec 2018 £'000
Wages and salaries	30,148	32,192
Social security costs	2,312	2,444
Pension costs	4,176	2,636
	36,636	37,272

Redundancy costs of £300k (year ended 31 December 2018: £1k) were recognised in the year.

6 Net finance costs

	31 Dec 2019 £'000	31 Dec 2018 £'000
Interest receivable:		
Other interest receivable and similar income	4	5
Total interest receivable:	4	5
Interest payable:		
Interest payable to parent undertaking	-	(68)
Total interest payable:	-	(68)
Net finance income/costs	4	(63)

7 Loss / profit before taxation

	31 Dec 2019 £'000	Restated 31 Dec 2018 £'000
Profit before taxation is stated after charging:		
Depreciation - owned tangible assets	113	197
Amortisation- owned Intangible assets (restated)	1,791	1,300
Loss on disposal of assets (see note 10)	17	84
Lease rentals – property	503	400
Fees payable to the Company's Auditor for audit of the Company's financial statements	55	45

During the year ending 31 December 2019, we changed group auditor and they apply a different methodology to the split of the group audit fee between the subsidiary's companies in the group.

The London Community Rehabilitation Company Limited

Notes forming part of the financial statements for the year ended 31 December 2019
(continued)

8 Tax on (loss) / profit

	31 Dec 2019 £'000	Restated 31 Dec 2018 £'000
<i>Current tax</i>		
UK corporation tax charge		
- current period	-	449
- adjustments in respect of prior periods	109	(115)
Total current tax charge for the period	109	334
<i>Deferred tax</i>		
- Origination & reversal of temporary differences	(237)	21
Total deferred tax (credit)/charge (note 12)	(237)	21
Total tax (credit)/charge on (loss) / profit	(128)	355

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

	31 Dec 2019 £'000	Restated 31 Dec 2018 £'000
(Loss) / Profit before tax	(1,361)	3,282
Tax at 19% (2018: 19%) effective rate	(259)	624
<i>Effects of:</i>		
Impact of statutory rate change	22	17
Group relief	-	(171)
Adjustments in respect of prior periods	109	(115)
Total current tax (credit)/charge for the year	(128)	355

The London Community Rehabilitation Company Limited

Notes forming part of the financial statements for the year ended 31 December 2019
(continued)

9 Intangible fixed assets

	Restated Other Intangibles £'000	Software £'000	Total £'000
<i>Cost</i>			
At 1 January 2019 (restated)	6,799	409	7,208
At 31 December 2019	6,799	409	7,208
<i>Amortisation</i>			
At 1 January 2019 (restated)	3,277	409	3,686
Provided in year	1,791	-	1,791
At 31 December 2019	5,068	409	5,477
<i>Net book value</i>			
At 31 December 2019	1,731	-	1,731
At 31 December 2018 (restated)	3,522	-	3,522

The Company has restated its previously reported financial results for the year ended 31 December 2018 and all related disclosures (see note 2).

10 Tangible fixed assets

	Plant and Machinery owned £'000	Fixtures and fittings owned £'000	Total £'000
<i>Cost</i>			
At 1 January 2019	480	556	1,036
Additions	12	-	12
Disposed	-	(20)	(20)
At 31 December 2019	492	536	1,028
<i>Depreciation</i>			
At 1 January 2019	473	211	684
Provided in year	6	107	113
Depreciation	-	(3)	(3)
Disposed	-	-	-
At 31 December 2019	479	315	794
<i>Net book value</i>			
At 31 December 2019	13	221	234
At 31 December 2018	7	345	352

The London Community Rehabilitation Company Limited

Notes forming part of the financial statements for the year ended 31 December 2019
(continued)

11 Debtors

	31 Dec 2019 £'000	Restated 31 Dec 2018 £'000
<i>Amounts falling due within one year:</i>		
Trade debtors	2,041	831
Other debtors	479	169
Deferred tax asset (note 12)	530	293
Corporation tax	429	530
Amounts owed by group undertakings	5,164	7,373
Prepayments and accrued income	10,069	8,217
Total current debtors	18,712	17,413

Amounts due from fellow group undertakings are unsecured and repayable on demand. Amounts totalling £5.2m (31 December 2018: £7.4m restated) are expected to be settled in less than one year. No interest is charged.

12 Deferred tax assets

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

	Fixed asset temporary difference £'000	Intangible assets temporary difference £'000	Short-term temporary differences £'000	Restated Temp differences re prior yrs deferred mobilisation adjs £'000	Losses £000	Restated Total £'000
At 1 January 2018	31	3	66	214	-	314
Charged to P & L	21	(3)	(32)	(7)	-	(21)
As at 31						
December 2018	52	-	34	207	-	293
Credited to P & L	7	-	16	-	214	237
As at 31						
December 2019	59	-	50	207	214	530

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

The London Community Rehabilitation Company Limited

Notes forming part of the financial statements for the year ended 31 December 2019
(continued)

13 Creditors

	31 Dec 2019 £'000	Restated 31 Dec 2018 £'000
<i>Amounts falling due within one year</i>		
Trade creditors	2,048	154
Amounts owed to group undertakings	47	6
Other creditors	707	495
Other taxes and social security	2,718	2,177
Accruals and deferred income	11,799	10,178
Total creditors due within one year	17,319	13,010

Amounts due to fellow group undertakings are unsecured and repayable on demand and relate to amounts owed to Thames Valley Limited. Amounts totalling £47k (31 December 2018: £6k) are expected to be settled in less than one year. Interest rates are nil.

14. Provisions for liabilities

	Other provision £'000	IT provision £'000	Total £'000
At 1 January 2019	-	1,876	1,876
- Additions	533	-	533
- Used	-	(1,876)	(1,876)
At 31 December 2019	533	-	533

The other provision relates to potential ill health retirement pension strain costs under our GMPF pension scheme and a provision for a possible performance related clawback of funding, these amounts reflect the best estimate of the amount the Company expects to pay. The amount is expected to be settled within one year.

The IT provision for the year ended 31 December 2018 related to a matter under query with an IT supplier, this amount was settled during the year ended 31 December 2019.

The London Community Rehabilitation Company Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

15 Pensions

Pension costs - defined contribution schemes

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 pays a fixed contribution into the pension plan after which there is no further payment obligation. Amounts not paid are accrued in the balance sheet until the payment is made. The assets of this plan are held separately from the Company's assets within an independently administered fund. Employer contributions to the pension scheme were £438k for the year ended 31 December 2019 (2018: £281k).

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 has two employees who participate in the Civil Service Pension Scheme administered by MyCSP Limited. The majority of employees in the Company with defined benefit pension schemes participate in the Local Government Pension Scheme ("LGPS") administered by the Greater Manchester Pension Fund ("GMPF").

Pension costs - GMPF

Employees that transferred to the Company from London 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 is closed to new employees.

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 April 2017.

The Company's contribution into the defined benefit pension scheme is capped at 14% of individual's pensionable salaries, any contribution above this rate is 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. The Company does have a potential obligation arising due to early retirement.

Employer contributions to the pension scheme were 14% (2018:14%) for the year ended 31 December 2019. Employer contributions to the pension scheme were £2.2m for the year ending 31 December 2019 (2018: £2.4m). The pension costs in note 4 includes accruals on ill health pension strain.

The London Community Rehabilitation Company Limited

Notes forming part of the financial statements for the year ended 31 December 2019
(continued)

15 Pensions (continued)

Net pension liability

	31Dec 2019 £'000	31Dec 2018 £'000
Defined benefit obligation	(161,223)	(134,550)
Plan assets	128,403	112,014
	<u>(32,820)</u>	<u>(22,536)</u>

Movement in present value of defined benefit obligation

	31 Dec 2019 £'000	31 Dec 2018 £'000
At 1 Jan	(134,550)	(137,437)
Current service cost	(5,481)	(7,117)
Past service cost	(1,405)	(45)
Interest expense	(3,967)	(3,515)
Actuarial (loss)/gain	(16,612)	12,984
Contributions by members	(1,008)	(1,117)
Benefits paid	1,800	1,697
At 31 Dec	<u>(161,223)</u>	<u>(134,550)</u>

Movements in fair value of plan assets

	31 Dec 2019 £'000	31 Dec 2018 £'000
At 1 Jan	112,014	113,003
Interest income	3,266	2,846
Re-measurement; return on plan assets less interest	11,766	(5,679)
Contributions by employer	2,149	2,424
Contributions by members	1,008	1,117
Benefits paid	(1,800)	(1,697)
At 31 Dec	<u>128,403</u>	<u>112,014</u>

The London Community Rehabilitation Company Limited

**Notes forming part of the financial statements for the year ended 31 December 2019
(continued)**

15 Pensions (continued)

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

	31 Dec 2019 £'000	31 Dec 2018 £'000
At 1 Jan	22,536	24,434
Re-measurement through other comprehensive income	4,846	(7,305)
Re-measurement through profit and loss	5,438	5,407
At 31 Dec	32,820	22,536

Income/Expense recognised in the profit and loss

	31 Dec 2019 £'000	31 Dec 2018 £'000
Current service cost	5,481	7,117
Past service cost	1,405	45
Interest	701	669
Less reimbursement	(5,438)	(5,407)
Total expense recognised in profit and loss	2,149	2,424

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

	31 Dec 2019 £'000	31 Dec 2018 £'000
Equities	88,598	76,170
Corporate bonds	17,976	16,802
Property	10,274	8,961
Cash	11,555	10,081
Total net recognised in profit and loss	128,403	112,014

Actual return on plan assets

	31 Dec 2019 £'000	31 Dec 2018 £'000
Actual return on plan assets	11,766	(5,679)

The London Community Rehabilitation Company Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

15 Pensions (continued)

Principal actuarial assumptions were as follows

	31 Dec 2019	31 Dec 2018
	%	%
Discount rate	2.0	2.9
Future salary increases	3.0	3.2
Pension increase rate	2.2	2.4

In valuing the pension fund, at 31 December 2019, mortality assumptions have been made relating to longevity. The underlying pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity.

The assumptions are based on the following:

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

16 Called up Share capital

	31 Dec 2019	31 Dec 2018
	£	£
<i>Issued, called up and fully paid</i>		
10 ordinary shares of £1 each	10	10
<i>Issued, called up and fully paid</i>		
1 special redeemable preference shares of £1 each	1	1
	<u>11</u>	<u>11</u>

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.

17 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.

The London Community Rehabilitation Company Limited

Notes forming part of the financial statements for the year ended 31 December 2019
(continued)

18 Financial and capital commitments

At 31 December 2019, the Company had total future minimum payments for non- cancellable operating lease commitments that expire:

	Property 31 Dec 2019 £'000	Other 31 Dec 2019 £'000	Total 31 Dec 2019 £'000	Property 31 Dec 2018 £'000	Other 31 Dec 2018 £'000	Total 31 Dec 2018 £'000
Within one year	551	59	610	465	8	473
In second to fifth year	1,817	66	1,883	1,477	-	1,477
After fifth year	-	-	-	-	-	-
Total lease commitments	2,368	125	2,493	1,942	8	1,950

The Company had no financial commitments at 31 December 2019 (31 December 2018: £nil).

19 Contingent liabilities

There were no contingent liabilities as at 31 December 2019 (31 December 2018: £nil).

20 Related Party transactions

During the year ended 31 December 2019, loan interest of £nil (2018: £67k) and management recharges of £19.6m (2018: £13.9m) became payable to Management & Training Corporation Limited.

At 31 December 2019, The London Community Rehabilitation Company Limited owed The Thames Valley Community Rehabilitation Company Limited (a fellow Group company) £47k (31 December 2018: £6k), the amounts are expected to be settled in less than one year and are repayable on demand.

At 31 December 2019, The London Community Rehabilitation Company Limited was due £5.2m (31 December 2018: £7.3m) from Management & Training Corporation Limited, the amounts are expected to be settled in less than one year and are repayable on demand.

The London Community Rehabilitation Company Limited

Notes forming part of the financial statements for the year ended 31 December 2019
(continued)

21 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
Floor 5, Capital Tower,
91 Waterloo Road,
London
SE1 8RT

Management & Training Corporation Limited (previously MTCnovo) is wholly owned by Management & Training Corporation (UK) Limited. On 9 January 2019, Management & Training Corporation (UK) Limited purchased 50% of Management & Training Corporation Limited's share capital from Novo Community Limited. Prior to 9 January 2019, MTCnovo was a joint venture between Novo Community Limited and Management & Training Corporation (UK) Limited, with both parents owning 50% share capital.

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

500 North Marketplace Drive
Centerville, UT 84014, USA

Ferrovial, S.A., a Company incorporated in Spain is the ultimate parent of Amey UK plc (the ultimate holding Company of Novo Community Limited in the UK). Copies of the group financial statements of Ferrovial, S.A., can be obtained from its registered office:

Ferrovial, S.A.
Principe de Vergara, 135
28002 Madrid
Spain

The London Community Rehabilitation Company Limited

**Notes forming part of the financial statements for the year ended 31 December 2019
(continued)**

22 Subsequent events

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 will take effect at the end of the current Probation contract, which is currently scheduled to be 25 June 2021.

During 2020, the Company is being impacted by the global COVID-19 pandemic, in March 2020 we 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.

From 1 April to 31 August 2020, the MoJ has provided certain revenue reliefs to the Company due to the COVID-19 pandemic, therefore our staff numbers have been maintained and all Subcontractors have continued to be paid as normal. While COVID-19 brings additional operational costs in 2020, the Company is actively managing these and does not expect our projected 2020 results to be materially impacted by COVID-19.

Following the Governments publication of its COVID-19 recovery strategy, with the easing of lockdown restrictions, the Company is currently developing its exit strategy to move out of the Exceptional Delivery Model. Before the end of our COVID-19 relief period (currently 31 August 2020), the Company will work with the MoJ to agree our COVID-19 transition plan.