Management & Training Corporation Limited

Annual Report and Financial Statements

For the year ended

31 December 2020

Company no. 09284837

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Management & Training Corporation Limited

Report and financial statements for the year ended 31 December 2020

Directors and Company Information

Directors

Robert Scott Marquardt
Ian Mulholland (Appointed 25 April 2022)
David Hood (Resigned 25 April 2022)

Registered Office

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

Company Number

09284837

Banker

RBS
3rd Floor
280 Bishopsgate
London EC2M 4RB

HSBC Bank PLC UK
62/67 Park Street
2nd Floor
Southwark
London, SE1 9DZ

Auditor

KPMG LLP
15 Canada Square
London E14 5GL
United Kingdom

The Directors present their Strategic Report for the year ended 31 December 2020.

Principal activities

The Company was incorporated in the United Kingdom on 28 October 2014, as a joint venture between Novo Community Limited and Management & Training Corporation (UK) Limited. On 1 February 2015, the Company acquired The London Community Rehabilitation Company Limited and The Thames Valley Community Rehabilitation Company Limited. On 9 January 2019, Management & Training Corporation (UK) Limited purchased Novo Community Limited's 50% share of the Company's share capital and became the Company's sole shareholder. On 8 February 2019, the Company changed its name from MTCnovo Limited to Management & Training Corporation Limited.

The Company is principally engaged in the justice sector and during the year continued to run the operations of the Secure Training Centre ("STC") in Rainsbrook. The Company also provides support services to its two subsidiary companies who provide 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: 6-9 Snow Hill, London EC1A 2AY England.

The Company's contract to run the Rainsbrook STC came to an end on 31 December 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 16 and shows a turnover of £12.5m (year ended 31 December 2019: £13.6m) and a loss after tax of £2.0m (year ended 31 December 2019: profit after tax of £2.2m). The Company's primary business focus during the year continued to be running the Rainsbrook STC. This contract subsequently ended on 31 December 2021. The Company also provides support services for its two subsidiary companies.

The Company took over the running of Rainsbrook STC in May 2016 and has undertaken an intensive and far-reaching transformation plan. The STC Contracts performance is monitored against the transformation plan together with a number of Contract Delivery Indicators (CDIs) and Key Performance Indicators (KPIs).

The STC Contract CDIs have a direct Service Credit deduction based on the number of Performance Points awarded for the failure of each CDI. Contractual KPIs cover safeguarding, care, education, resettlement, interventions and facilities management. During 2018, a review of the KPI baselines was undertaken with the MoJ in line with the annual review. This was to address unaligned reporting timetables for the Education KPIs. The revised KPI reporting went live on 1 May 2019.

From May 2019 there was a change in the way assaults are classified, with the introduction of a grading mechanism (severe, serious and low level) and points being awarded depending on the severity of the assault. The points awarded in relation to assaults in the year ending 31 December 2020 were 70 (4 incidents) of which 40 points (1 incident) was in relation to a severe assault, the remainder being low levels incidents.

Key performance indicators *(continued)*

During the year ending 31 December 2020, the largest contributor to the Service Credit deduction was the Minimum Staffing Levels ("MSL") CDI where a total of 424 points were awarded, this was a reduction of 789 points compared to the year ending 31 December 2019. The STC has made significant efforts to recruit staff into operational roles where MSL is applicable and there is a closely monitored staffing pipeline for the year ended 31 December 2021. The total points awarded in the year ending 31 December 2020 was 984 with the second largest contributor being self-harm incidents with 150 points.

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 2020, a dedicated Transformation team was established at Group level who oversee any Transformation projects 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
The Company relied on a key Secretary of State contract, which came to an end 31 December 2021 and as such the risks associated with the contract either no longer exist or an agreement has been reached to alleviate those risks.

The Company also provides support services for its two subsidiary companies, each of these were reliant on key Secretary of State contracts, both of which ended in June 2021. The Company's subsidiary companies (The London Community Rehabilitation Company and The Thames Valley Community Rehabilitation Company) were both engaged in the judicial activity of providing rehabilitation services.

It is the expectation that the proportion of support services that support the subsidiary companies probation contracts will therefore cease being recognised in the Company in line with the end of the probation contracts on 25 June 2021.

In the year ending 31 December 2021, the Company started providing delivery of services to two Migrant Quarantine Hotels in the Midlands for the Home Office, this work is currently contracted until 30 June 2022.

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

Principal risks and uncertainties (continued)

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 2019: £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 is a subsidiary of Management & Training Corporation (UK) Limited and its financial resources are managed on a Group basis. Group cash balances at 31 December 2020 were £14.9m (year ended 31 December 2019: £17.4m). In addition, Management & Training Corporation (UK) Limited has a credit line of up to US$33.0m with its parent Management & Training Corporation, which was amended in August 2020 (2019: US$23.0m). At 31 December 2020, £15.8m of the credit line was drawn down (31 December 2019: £10.0m).

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 the Company's parent company Management & Training Corporation (UK) Limited, having a credit line of US$33.0m with its parent Management & Training Corporation, which was amended in August 2020 (2019: US$23.0m).

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 must 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 matter.
- 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.

Section 172 Statement ***(continued)***

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 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.

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.

Section 172 Statement *(continued)*

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 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 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 Young People 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. When we begin working with a Young Person, 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.

Our teams regularly work alongside community organisations, local authorities, local police teams and residents.

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 Mulholland
Director
28 April 2022

The Directors present their report on the affairs of the Company together with the audited financial statements for the year ended 31 December 2020.

Directors

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

Robert Scott Marquardt
Bernard Warner (Resigned 29/06/2020)
David Hood (Appointed 29/06/2020 and resigned 25/04/2022)
Lyle J. Parry (Resigned 19/03/2020)
Ian Fisher Mulholland (Appointed 25/04/2022)

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 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 for the foreseeable future, being 12 months from the date of signing these financial statements. For this reason, these financial statements are being prepared on a going concern basis but with material uncertainty.

In drawing their conclusions on going concern the Directors have taken into account the future changes in the Transforming Rehabilitation contracts which are the main sources of revenue to the Group. These contracts moved to a cost-plus basis from December 2020 and ceased on 25 June 2021. The financial statements of the two subsidiaries that deliver these contracts, The London Community Rehabilitation Company Limited and The Thames Valley Community Rehabilitation Company Limited, have been prepared on a non-going concern basis due to the contracts ending in June 2021. The costs of ending the Transforming Rehabilitation contracts influences the conclusions reached for the Group and Company as the Group has no future stable contracts, which is why there is material uncertainty over the going concern. However, the Directors are committed to bringing in new business through acquisitions and bidding on new contracts, which is why the accounts remain prepared on a going concern basis (see note 1 for further information).

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

Dividends

No dividends were paid by the Company during the year ended 31 December 2020 (2019: £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 16 and shows turnover of £12.5m (year ended 31 December 2019: £13.6m) and a loss after tax of £2.0m (year ended 31 December 2019: profit after tax of £2.2m). The decrease of the Company's financial results in the year ending 31 December 2020 is due to the increase in administrative costs, caused by an increase in staff and temporary staff costs, sponsorship and public relation costs. During the year ended 31 December 2020, the group capitalised £nil of development spend (year ended 31 December 2019: £1.5m on its Omnia IT system). During the year ended 31 December 2020, £nil was spent on Research and Development activities (year ended 31 December 2019: £nil).

The cost of the previously capitalised Service User App has been written off as the Ministry of Justice will not be using the asset when the Probation contracts of the CRC's end on 25 June 2021.

During 2016, the Company took over a 5-year contract to run the Rainsbrook Secure Training Centre. In November 2021, the MoJ and the Company mutually agreed to terminate the original contract early on 31 December 2021.

During the year ending 31 December 2020, the Company has been impacted by the global COVID-19 pandemic, the Company has continued to run Rainsbrook STC with special measures in place to protect staff and the young people. While COVID-19 brought additional challenges, the Company has actively managed these and our results for the year ending 31 December 2020 are not materially impacted by COVID-19.

The Group is looking at new areas to expand the business into and are open to opportunities. In July 2021, the Company was approached by The Home Office to provide delivery of services to two Migrant Quarantine Hotels in the Midlands. Each hotel provides short-term quarantine housing for newly arrived migrants, the Company's services are currently contracted to 30 June 2022. The Company are providing these services using staff from Rainsbrook STC. Overall, the Directors are confident of further continued sustainable turnover in the year ending 31 December 2021.

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

Employees

Management & Training Corporation Limited 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. Management & Training Corporation Limited 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 Management & Training Corporation Limited. Making this happen is the responsibility of everyone who is employed by, contracted to, supplies and uses Management & Training Corporation Limited 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 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:

Ian Mulholland

Mr Ian Mulholland
Director
28 April 2022

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;
- 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 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 financial statements may differ from legislation in other jurisdictions.

Opinion

We have audited the financial statements of Management & Training Corporation Limited ("the Company") for the year ended 31 December 2020 which comprise the profit and loss account and other comprehensive income, 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 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 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 FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements which indicates that the Company derived all its revenue from a contract with Ministry of Justice which has now been terminated. 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's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Going concern basis of preparation

The directors have prepared the financial statements on the going concern basis. As stated above, they have concluded that a material uncertainty related to going concern exists.

Based on our financial statements audit work, we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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.

As required by auditing standards, 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 revenue recognized is simple in nature, 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 the MoJ.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of the Company-wide fraud risk management controls

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.

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.

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

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, and GDPR. 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.

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.

Independent Auditor's report to the members of Management & Training Corporation Limited *(continued)*

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 11, 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.

Michael Scrivener (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL
United Kingdom
28 April 2022

Management & Training Corporation Limited

Profit and Loss Account and Other Comprehensive Income for the year ended 31 December 2020

	Note	31 Dec 2020 £'000	31 Dec 2019 £'000
Turnover	2	12,451	13,561
Cost of sales		(6,846)	(6,174)
Gross profit		5,605	7,387
Administrative expenses		(7,539)	(4,496)
Loss on disposal of intangible assets		(445)	-
Operating (loss)/profit		(2,379)	2,891
Interest receivable and similar income	5	2	24
Interest payable and similar charges	5	(238)	(275)
(Loss)/profit before taxation	6	(2,615)	2,640
Tax credit/(charge) on (loss)/profit	7	549	(452)
(Loss)/profit for the financial year		(2,066)	2,188

All transactions relate to continuing operations.

There were no recognised gains or losses other than the (loss)/profit for the current year. Accordingly, a separate statement of other comprehensive income has not been presented.

The notes on pages 19 to 38 form part of these financial statements.

Management & Training Corporation Limited

Balance Sheet as at 31 December 2020

	Note	31 Dec 2020 £'000	31 Dec 2019 £'000
Fixed Assets			
Intangible assets	8	2,010	5,476
Tangible assets	9	1,377	591
Investments	10	452	452
Total fixed assets		3,839	6,519
Current assets			
Debtors: amounts falling due within one year	11	6,238	2,868
Cash at bank and in hand		2,196	5,148
Total current assets		8,434	8,016
Creditors: amounts falling due within one year	13	(9,416)	(10,378)
Net current liabilities		(982)	(2,362)
Total assets less current liabilities		2,857	4,157
Creditors: amounts falling due after more than one year	13	(9,774)	(10,756)
Provisions for liabilities	14	(887)	(351)
Net liabilities		(7,804)	(6,950)
Capital and reserves			
Capital contribution		1,212	-
Called up share capital	15	-	-
Profit and loss account		(9,016)	(6,950)
Total capital and reserves		(7,804)	(6,950)

The financial statements were approved and authorised for issue by the Board of Directors on 28 April 2022 and signed on its behalf by:

Ian Mulholland

Mr Ian Mulholland
Director
Company no: 09284837

The notes on pages 19 to 38 form part of these financial statements.

Statement of Changes in equity at 31 December 2020

	Capital Contribution	Called up Share Capital £'000	Profit and loss account £'000	Total £'000
As at 1 January 2019	-	-	(9,138)	(9,138)
Loss for the financial year	-	-	2,188	2,188
Total Comprehensive Loss	**-**	**-**	**2,188**	**2,188**
As at 31 December 2019	**-**	**-**	**(6,950)**	**(6,950)**
As at 1 January 2020	-	-	(6,950)	(6,950)
Loss for the financial year	**1,212**	-	(2,066)	(854)
Total Comprehensive Loss	**1,212**	-	**(2,066)**	**(854)**
As at 31 December 2020	**1,212**	-	**(9,016)**	**(7,804)**

The notes on pages 19 to 38 form part of these financial statements

1. Accounting policies

Management & Training Corporation 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 has taken advantage of the exemption stated in section 400 of the Companies Act 2006 for the preparation of the consolidation financial statements, as the Company is consolidated into the financial statements of its parent company, Management & Training Corporation (UK) Limited, which is publicly available and may be obtained from their registered office 6-9 Snow Hill, London, England, EC1A 2AY.

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

Going convcern

The Company's business activities and financial position, together with the factors likely to affect its future development, performance and financial position are set out in the Strategic Report. These financial statements have been prepared on a going concern basis for the following reasons.

During the year, COVID-19 has been declared a global pandemic and this has impacted both the Company and the wider economy. The Company has continued to trade throughout this period and while the majority of employees have successfully transitioned to working from home, some of the Company's employees have continued to work on site throughout the pandemic as they provide essential services in managing our secure training centre for young people. Additionally, due to a change in the government's policy, the Company's subsidiaries The London Community Rehabilitation Company and The Thames Valley Community Rehabilitation Company had their probation contracts cease from 25 June 2021.

The directors have prepared cash flow forecasts to the period ending April 2023 which indicate that, taking account of reasonable possible downsides, the Company will have sufficient funds, through its own cash reserves and funding from its immediate parent company Management & Training Corporation (UK) Ltd and its ultimate parent company, Management & Training Corporation, to meet its liabilities as they fall due for that period.

These forecasts consider the upcoming custody contract bidding pipeline and the Company's acquisition strategy, alongside the Company's very strong cash position.

1. Accounting policies *(continued)*

Going concern (continued)

Those forecasts are dependent on Management & Training Corporation not seeking repayment of the amounts currently owed by the parent company Management & Training Corporation (UK) Ltd, which at 31 December amounted to £15.9m, and providing additional financial support, either directly or through affiliates, during that period. Management & Training Corporation has indicated its intention to continue to make available such funds as are needed by the Company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any Company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The going concern assumptions of the Company after 12 months from the date of signing these accounts depends on the Company's ability to win new contracts and support from the Parent company. Due to the risk that no contracts are won or no acquisitions are made, the directors consider there to be significant doubt upon the ability of the Company to continue as a going concern after 12 months of signing these financial statements, causing the material uncertainty. However, the Directors are committed to winning and acquiring new business.

Based on the above indications the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, this matter indicates the existence of a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, that the Company may be unable to realise their assets and discharge their 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 year. 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 deprecation charge appears in the administrative expenses line on the Profit and Loss Account. The rates generally applicable are:

Fixtures and fittings	- 20%
Plant and machinery	- 20%

1. Accounting policies ***(continued)***

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 face of the Profit and Loss account. The rates generally applicable are:

Software	- 20%
Other Intangibles	- 20%

Intangible assets under construction relate to the Company's new Services User App which was written off during the year ending 31 December 2020. This asset is not amortised.

Fixed asset investments

Investments in subsidiaries are accounted for at cost less impairment.

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.

1. Accounting policies *(continued)*

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.

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.

1. Accounting policies *(continued)*

- *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.

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 a defined contribution pension scheme run by the Company.

1. Accounting policies *(continued)*

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 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.

Operating leases

Rentals under operating leases (net of any incentives received from the lessor) are charged to the Profit and Loss Account 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 set up costs of IT infrastructure, including laptops and telephones capitalised at the start of the contract to allow us to operate.

2. Turnover

Turnover and profit before tax are attributable to the principal activity of running the Rainsbrook Secure Training Centre. 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 Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

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

Key sources of estimation uncertainty

Impairment Review

The Company provides support services to its two subsidiary companies (The London Community Rehabilitation Company and The Thames Valley Community Rehabilitation Company) who provide rehabilitation services. The probation contracts run by the subsidiary companies ceased in June 2021 and the contract run by the Company to operate Rainsbrook STC finished in December 2021, given the uncertainty around the Company's future revenue from providing support services to other group companies beyond 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 assets making up the cash generating unit as at 31 December 2020 was £1.7m.

Dilapidation Provision

The Other provision (see note 15) relates to the lifecycle provision at the Rainsbrook Secure Training Centre, this amount reflects the best estimate of the amount the Company expects to pay to ensure the Secure Training Centre is handed back to the MoJ in the agreed state of repair at the end of the contract. The provision at 31 December 2020, reflects the amount the Company would have to spend if the Secure Training Centre were handed back to the MoJ at 31 December 2020.

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.

Investments

Investments are measured at fair value plus direct transaction costs through Profit and Loss.

There are no critical judgements for the year ended 31 December 2020.

4. Information regarding directors and employees

Directors

The Company financial statements do not include the renumeration of any Directors who were in office during the year ended 31 December 2020. Time spent as directors on the company is not material.

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

The aggregate amount of compensation for loss of office paid to directors in the year was £nil (year ended 31 December 2019: £nil).

Staff numbers and costs

Monthly average number of persons employed

	31 Dec 2020 No	31 Dec 2019 No
Operations	179	173
Administration	255	176
Staff number during the year	**434**	**349**

	31 Dec 2020 £'000	31 Dec 2019 £'000
Wages and Salaries	15,708	13,134
Social security cost	1,565	774
Pension cost	685	399
	17,958	**14,307**

Redundancy costs of £nil (year ended 31 December 2019: £18k) were recognised in the year ending 31 December 2020.

5. Net Finance Costs

	31 Dec 2020 £'000	31 Dec 2019 £'000
Interest receivable:		
Bank interest	2	24
Total interest receivable	**2**	**24**
Interest payable:		
Interest payable to parent undertaking	(230)	(267)
Other interest payable and similar charges	(8)	(8)
Total interest payable	**(238)**	**(275)**
Net interest payable and similar charges	**(236)**	**(251)**

6. (Loss)/profit before taxation

	31 Dec 2020 £'000	31 Dec 2019 £'000
Profit before taxation is stated after charging:		
Depreciation - owned tangible assets	332	202
Amortisation - owned intangible assets	3,152	1,962
Lease rentals - property	121	28
Fees payable to the Company's Auditor for audit of Company's financial statements	6	10

7. Tax on (loss)/profit

	31 Dec 2020 £'000	31 Dec 2019 £'000
Current tax		
UK corporation tax credit		
- current period	(989)	-
- adjustment in respect of prior period	111	(159)
Total current tax credit for the period	**(878)**	**(159)**
Deferred tax		
Impact of the rate change	(57)	-
Deferred Tax charge for the period	510	611
Adjustment in respect of prior period	(124)	-
Total tax credit/charge on loss/profit	**(549)**	**452**

The current tax charge for the year is higher than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	31 Dec 2020 £'000	31 Dec 2019 £'000
(Loss)/profit before tax	**(2,615)**	**2,640**
Tax at average 19% (2019: 19%) effective rate	(497)	502
Effects of:		
Impact of statutory rate change	(57)	109
Adjustments in respect of prior periods	13	(159)
Deferred tax written off	(8)	-
Total current tax (credit)/charge for the year	**(549)**	**452**

7. Tax on profit (continued)

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. The UK deferred tax asset as at 2020 was calculated at 19% (2019: 17%).

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 and increase the deferred tax asset by £0.1m.

8. Intangible fixed assets

	Assets under construction £'000	Software £'000	Other Intangibles £'000	Total £'000
Cost				
At 1 January 2020	638	6,534	886	8,058
Additions	317	169	-	486
Transfers	(39)	39	-	-
Transfers to tangible assets [a]	(371)	-	-	(371)
Transfer from Intangible [b]	-	15	-	15
Written offs [c]	(395)	(31)	(34)	(460)
At 31 December 2020	**150**	**6,726**	**852**	**7,728**
Amortisation				
At 1 January 2020	-	1,932	650	2,582
Provided in year	-	3,085	67	3,152
Disposed of	-	(16)	-	(16)
At 31 December 2020	**-**	**5,001**	**717**	**5,718**
Net book value				
At 31 December 2020	**150**	**1,725**	**135**	**2,010**
At 31 December 2019	638	4,602	236	5,476

(a) Assets costing £371k were reclassified from intangible to tangible assets upon review of the completed assets in the year ended 31 December 2020.

(b) Assets costing £15k were reclassified from tangible to intangible assets upon review of the completed assets in the year ended 31 December 2020.

(c) Service User App assets of £362k were written off following the Ministry of Justice's confirmation that the provision of this app will no longer be required due to the Probation contracts for the CRC's ending early on 25 June 2021.

9. Tangible fixed assets

	Assets under construction £'000	Plant and machinery owned £'000	Fixtures and Fittings £'000	Total £'000
Cost				
At 1 January 2020	-	302	641	943
Additions	460	306	-	766
Transfer to intangible assets [a]	-	(15)	-	(15)
Transfer from intangible assets[b]	371	-	-	371
Transfers	(721)	721	-	-
Write offs	-	(6)	-	(6)
At 31 December 2020	**110**	**1,308**	**641**	**2,059**
Depreciation				
At 1 January 2020	-	49	303	352
Provided in year	-	194	138	332
Disposed of	-	(2)	-	(2)
At 31 December 2020	**-**	**241**	**441**	**682**
Net book value				
At 31 December 2020	**110**	**1,067**	**200**	**1,377**
At 31 December 2019	-	253	338	591

(a) Assets costing £15k were reclassified from tangible to intangible assets upon review of the completed assets in the year ended 31 December 2020.

(b) Assets costing £371k were reclassified from intangible to tangible assets upon review of the completed assets in the year ended 31 December 2020.

10. Fixed asset investments

	31 Dec 2020 £'000	31 Dec 2019 £'000
Subsidiary undertakings	452	452
Total	**452**	**452**

	Aggregate of Capital and Reserves £'000	Profit for the year £'000	Principal activity	Holding	%
The London Community Rehabilitation Company Limited	**21,066**	**8,895**	The justice and judicial activity of providing rehabilitation services.	Ordinary Shares	100
The Thames Valley Community Rehabilitation Company Limited	**3,823**	**941**	The justice and judicial activity of providing rehabilitation services.	Ordinary Shares	100

Subsidiary companies have the same registered office as Management & Training Corporation Limited.

The company owns 100 per cent of the issued ordinary share capital of The London Community Rehabilitation Company Limited, a Company that is principally engaged in the justice sector and the judicial activity of providing rehabilitation services, for a consideration of £408k.

The company also owns 100 per cent of the issued ordinary share capital of The Thames Valley Community Rehabilitation Company Limited, a Company that is principally engaged in the justice sector and the judicial activity of providing rehabilitation services, for a consideration of £44k.

11. Debtors

	31 Dec 2020 £'000	31 Dec 2019 £'000
Amounts falling due within one year:		
Trade debtors	1,391	17
Other debtors	2,652	279
Deferred tax asset (note 12)	36	365
Amounts owed by group undertakings	497	498
Prepayments and accrued income	1,662	1,709
Total current debtors	**6,238**	**2,868**

Amounts due from fellow group undertakings are unsecured and repayable on demand and relate to amounts owed by the Company's subsidiaries.

12. Deferred tax asset

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 cost £'000	Losses recognised £'000	Total £'000
At 1 January 2019	-	-	976	-	976
Charged/Credited to P&L	-	-	(611)	-	(611)
At 31 December 2019	-	-	365	-	365
Prior Period Adjustment	6	21	(365)	462	124
Impact of rate change (17% to 19%)	1	2	-	54	57
Charged/Credited to P&L	13	(7)	-	(516)	(510)
At 31 December 2020	**20**	**16**	**-**	**-**	**36**

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

13. Creditors

	31 Dec 2020 £'000	31 Dec 2019 £'000
Amounts falling due within one year		
Trade creditors	**314**	651
Other creditors	**80**	133
Amounts owed to group undertakings	**5,227**	5,173
Corporation tax	**-**	7
Other taxes and social security	**389**	369
Dilapidations provisions	**-**	95
Accruals and deferred income	**3,406**	3,950
Total creditors due within one year	**9,416**	10,378
Amounts falling due after more than one year		
Amounts owed to parent undertakings	**9,774**	10,756
Capital contribution	**1,212**	-
Total creditors due after more than one year	**10,986**	10,756
Total creditors	**20,402**	21,134

Amounts due to fellow group undertakings are unsecured and repayable on demand and relate to amounts owed to the Company's subsidiary, The London Community Rehabilitation Company. The remaining loan principal of £11m with Management & Training Corporation (UK) Limited is expected to be settled on 31 December 2025. During the year, interest was accrued on the outstanding loan principle at a rate of LIBOR plus 60 basis points per annum. Interest will be calculated on the basis of the actual number of days elapsed and a 360-day year and shall accrue from day to day. Capital contribution relates to a fair value loan revaluation.

14. Provisions for liabilities

	Dilapidations provision £'000	Total £'000
At 1 January 2020	351	**351**
Additions	887	**887**
- utilised in the year	(351)	**(351)**
At 31 December 2020	**887**	**887**

The dilapidations provision relates to the Rainsbrook Secure Training Centre and the amount provided to reflect the cost to put the centre back to the condition expected if vacated, this amount is expected to be incurred before the end of the Contract on 31 December 2021.

15. Called up Share capital

	31 Dec 2020 £	31 Dec 2019 £
Issued, called up and fully paid		
50 ordinary 'A' shares of £1 each	**50**	50
50 ordinary 'B' shares of £1 each	**50**	50
	100	100

All ordinary shares were issued on the 28 October 2014 when the Company was incorporated. A and B Shares rank equally in all respects but constitute separate classes of shares.

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

16. 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.

17. 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 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 £685k (2019: £399k) in year ended 31 December 2020.

18. Financial and capital commitments

At 31 December 2020, the Company had total future minimum payments for non-cancellable operating lease commitments that expire:

	Other 31 Dec 2020 £'000	Property 31 Dec 2020 £'000	Total 2020 £'000	Other 31 Dec 2019 £'000	Property 31 Dec 2019 £'000	Total 2019 £'000
Within one year	36	-	**36**	35	81	**116**
In second to fifth year	-	-	-	48	393	**441**
After fifth year	-	-	-	-	-	-
Total lease commitments	36	-	**36**	83	474	**557**

The Company had no financial commitments at 31 December 2020 (31 December 2019: £nil).

19. Contingent liabilities

There were no contingent liabilities as at 31 December 2020 (31 December 2019: £nil).

There are open cases against the company which the company is defending. Since it is presently not possible to determine the outcome of these matters, no provision has been made in the financial statements for their ultimate resolution. In management's opinion, the final resolution of all legal matters will not have a material adverse effect on the Company's financial position.

20. Related Party transactions

Management & Training Corporation Limited (formerly MTCnovo Limited) 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.

Management & Training Corporation Limited undertook the following related party transactions with its parents during the year ended 31 December 2020:

During 2015, the Company borrowed £10.0m from Novo Community Limited and £10.0m from Management and Training Corporation (UK) Limited). As part of the sale of Novo Community Limited's share in Management & Training Corporation Limited to Management & Training Corporation (UK) Limited, Management & Training Corporation Limited repaid its £10.0m loan from Novo Community Limited in January 2019. The remaining £10.0m loan principal with Management & Training Corporation (UK) Limited remains outstanding and is expected to be settled after more than one year. Save as is otherwise agreed by Management & Training Corporation Limited and its shareholders, the former shall pay interest on the outstanding loan principal at a rate of LIBOR plus 60 basis points per annum. Interest will be calculated on the basis of the actual number of days elapsed and a 360-day year and shall accrue from day to day.

Management and Training Corporation (UK) Limited charged loan interest of £230k in the year ended 31 December 2020 (2019: £268k), in total £1.0m of loan interest was outstanding to Management and Training Corporation (UK) Limited at 31 December 2020.

As at 31 December 2020, Management & Training Corporation Limited owed Management and Training Corporation (UK) Limited accrued and invoiced costs of £54k (year ended 31 December 2019: £nil).

20. Related Party transactions (continued)

Management & Training Corporation Limited undertook the following related party transactions with its subsidiary undertakings during the year:

Management & Training Corporation Limited made management recharges of £19.6m (2019: £19.6m) to the London Community Rehabilitation Company Limited.

At 31 December 2020, Management & Training Corporation Limited owed The London Community Rehabilitation Company Limited £4.7m (2019: £5.2m). Amounts due to fellow group undertakings are unsecured and repayable on demand. Amounts totalling £4.7m (2019: £5.2m) are expected to be settled in less than one year.

Management & Training Corporation Limited made management recharges of £4.9m (2019: £4.7m) to the Thames Valley Community Rehabilitation Company Limited in the year ended 31 December 2020.

At 31 December 2020, The Thames Valley Community Rehabilitation Company Limited was owed by Management & Training Corporation Limited £0.4m (2019: £0.5m). Amounts due to fellow group undertakings are unsecured, repayable on demand and are expected to be settled in less than one year.

21. Ultimate Parent undertakings

The immediate parent undertaking of Management & Training Corporation Limited (formerly MTCnovo Limited) is Management & Training Corporation (UK) 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
EC1A 2AY

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, the Company 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

22. Subsequent Events

The Company provides support services for its two subsidiary companies, The London Community Rehabilitation Company and The Thames Valley Community Rehabilitation Company. The Company's subsidiary companies were both engaged in the judicial activity of providing rehabilitation services.

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

As a part of contract termination arrangements both subsidiaries, The Thames Valley Community Rehabilitation Company and The London Community Rehabilitation Company, have entered into a settlement agreement relating to Payment by Results revenue (PbR) in July 2021, whereby each Company agreed to receive reduced (by 10% early settlement discount) PbR income in the year ended 31 December 2021 for the outstanding PbR period April 2019 to December 2020 (contractual obligation to receive this revenue was 2022/2023). Finalisation of this settlement agreement removed any previous estimation uncertainty and so allowed for revenue recognition that previously was not routinely recognised.

This resulted in each company recognising in their financial statements for the year ending 31 December 2020 additional amounts. The Thames Valley Community Rehabilitation Company's additional revenue was £1.4m, with £2.9m of additional revenue recognised by The London Community Rehabilitation Company, in respect of PbR revenue for the April to December 2019 period, which would have normally been recognised in the financial statements for the year ending 31 December 2021 due to estimation uncertainty.

In November 2021, Management & Training Corporation Limited mutually agreed an early termination with the MoJ for the running of Rainsbrook Secure Training Centre, which was previously scheduled to end in May 2023. The contract ended 31 December 2021.