Company Registration No: 9457025

Remploy Limited

Report and Financial Statements
30 September 2016

Remploy Limited
Report and Financial Statements 2016

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Corporate Information

Directors

A Piloti, Chairman
M Batty, Non-Executive Director
E M Carruthers, Executive Director
G Parry, Chief Executive
A Quddus, Non-Executive Director
J R Kimberley, Non-Executive Director

Secretary

A R Owen

Auditor

Ernst and Young LLP
1 Colmore Square
Birmingham
B4 6HQ

Bankers

Royal Bank of Scotland Group
36 St Andrews Square
Edinburgh
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Registered Office

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Leicester
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Strategic Report

The Directors present their strategic report for the year ended 30 September 2016.

Business review

The Company has now completed its first full year of trading since the exit from Government ownership in April 2015, details of which were described in the 2015 Strategic Report. The Directors are pleased that the Company has successfully traded throughout the year, winning new contracts and successfully delivering those contracts which were in existence at the point of exit. This has allowed the Company to continue to deliver its mission to transform the lives of disabled people by increasing the number of sustainable opportunities and assisting people with a disability or other complex barriers to work into employment and supporting them once in employment.

The Company prepared its initial financial statements for a period of 31 weeks to 30 September 2015. In preparing those and the current year's financial statements, the Company has adopted FRS 101 – Reduced Disclosure Framework and has taken advantage of the disclosure exemptions allowed under this standard.

Performance

Following the exit of Remploy from Government ownership on 7 April 2015, the newly formed Company, as part of the MAXIMUS Group of Companies, continues to be one of the largest national providers of routes into employment for people with disabilities or disadvantages under the Work Choice programme as a prime contractor, as a sub-contractor under the Work Programme. The Company has continued to diversify its service offering through successfully tendering for and delivering a number of other commercial contracts. Significant new contracts that commenced during the year include the provision of the 'Experts by Experience' service to the Care Quality Commission, and delivery of the BBC's Disability Access Service.

The Board monitor the performance and progress of the Company by setting periodic budgets and measuring financial performance against those budgets, reviewing job outcomes and service delivery KPI's achieved against programme targets, and ensuring that cash and other resources are managed to ensure the business is able to operate effectively and invest in its continuing mission to transform the lives of people with disabilities and other complex barriers to employment.

Strategic Report (continued)

The Company's key financial and other performance indicators during the year were as follows:

	Unit	Year 2016	31 week period 2015
Revenue	£'000	45,852	24,017
Operating profit	£'000	1,140	3,311
Cash	£'000	5,554	11,963
Average number of employees	Number	973	960
Number of job starts achieved	Number	8,907	4,193

The Company has performed in line with its forecast models in the year, continuing to deliver Work Choice and other contracts to agreed service levels and volumes. The Work Choice contract is delivered on a national scale within 25 contract package areas through a network of over 60 regional branches, and accounted for around 74% of revenue in 2016 (2015: 78% of revenue). The commercial contract for delivery of Work Choice was originally secured until April 2017, and the Company has now secured a further 6 month extension on a national scale, with the possibility of further extensions to the point where it is replaced by the Work and Health programme. The contract, in common with many of the Company's other commercial contracts, comprises a fixed service fee, together with performance based elements dependent on achieving outcomes and sustained job outcomes for candidates.

The operating profit for the year is stated after making a provision of £1.98m in respect of the business change programme announced in August 2016, and described in note 8 to the accounts.

Future developments

Following the devolution of all contracted employment provision from Westminster to the Scottish Government in 2016, the Company was successful in bidding for contracts to deliver Work First Scotland and Work Able, with delivery scheduled to commence in 2017. The Company also secured a 12 month extension to its Workplace Mental Health Support Service which it delivers as part of the Government's Access to Work programme.

In addition, the Company secured a place on the DWP's Umbrella Agreement for Employment and Health Related Services in Wales, enabling the Company to bid for contracts on the Work and Health Programme which replaces the Work Programme and Work Choice in 2017.

The Company recognises that there are significant sub-contracting opportunities on the Work and Health Programme and has developed relationships with businesses on the Umbrella Framework to secure contracts as a high-performing, low-cost subcontractor.

The Company continues to bid for commercially viable contracts for which it has the skills, resources and national coverage to deliver services that contribute to delivery of its mission.

Strategic Report (continued)

Principal risks and uncertainties

The Company, through a multi–disciplinary Executive Committee, maintains a risk register, which the Board reviews quarterly whilst evaluating its appetite for risk and approach to mitigation of any key identified risks. The Company's risk profile is broadly divided into 3 areas; strategic, operational and financial risk.

- **Strategic risks**: The volume of activity is dependent to a large degree on the level of funding for Government contracts placed with programme providers, which are usually placed for a fixed period of time with a bidding process for new or renewal of contracts. Because of its specialist skillset and national coverage in delivering employment solutions for disabled people, the Company is well placed to bid for future Government contracts in the sector, whilst continuing to diversify and extend its service offering in order to secure new commercial opportunities with local authorities and other commercial and charitable organisations.

- **Operational risks**: Currently, the Work Choice contract accounts for around 74% of the volume of business, and although secure until October 2017, will be replaced by the Work and Health Programme in 2017/18. Commissioning for the Work and Health Programme is subject to a competitive tender process in geographic regions (Contract Package Areas, "CPA"s) based on financial and performance criteria. Organisations which are successful in winning a place on the framework are then eligible to bid, with the ultimate outcome being one prime provider within each CPA. The Company was successful in winning a place on the framework in Wales, and will also look for further opportunities to bid with devolved local government where the programme is being commissioned separately from the national programme. The Company continues to monitor its own performance against agreed service levels on both Work Choice and other contracts and develops action plans to address any shortcomings as they arise, so as to put the Company on the best possible footing when tendering for renewal and new business. Furthermore, a substantial element of Work Choice and other contracts is based on performance in terms of achieving successful outcomes, and underperformance against expectations may result in lower revenues and margins.

- **Financial risks**: The Company is not significantly exposed to commodity price risk, however wage inflation may impact on margins as the Company depends on a highly skilled and motivated staff to deliver its services. The Company does have adequate cash resources to meet its obligations for the foreseeable future without the requirement to raise finance, and may be requested to advance surplus funds to other group companies from time to time by way of intercompany loans on arm's length terms. Credit risk on commercial contracts is managed by regular contract performance and trade debtor reviews, and due to the nature of the customer base the credit risk is considered to be low.

By order of the Board

G Parry

Chief Executive

8 June 2017

Directors' Report

The Directors present their report for the Company, together with the financial statements and audit report for the year ended 30 September 2016.

Directors

The current Directors are set out on page 1. Directors who have held office during the year, and up to the date of signing this report, are as follows:

A Piloti
M Batty
E M Carruthers
G Parry
A Quddus
L K Wolfe (appointed 1 October 2015, resigned 28 February 2017)
J R Kimberley (appointed 28 February 2017)

G Parry was appointed to the post of Chief Executive with effect from May 2016, replacing E Carruthers who continues to act for the Company in an executive capacity within her role as Managing Director of the Maximus UK Human Services Division.

Dividends

A final dividend of £90.65 per share was recommended by the Directors and paid during the year, resulting in a total payment of £1,813,000.

Employees and employment of disabled persons

The Company's mission is to maximise the number of disabled and disadvantaged people in mainstream employment. Within its own business, the Company actively seeks applications from disabled persons where the candidate's aptitudes and abilities are consistent with adequately meeting the requirements of the job. As a leading provider of disability employment services, the Company is in an excellent position within its own workplaces to provide opportunities for training, development and promotion to persons with disabilities and other disadvantages. This was recognised when the Company was awarded 'Leader' status as part of the nationally renowned Disability Confident scheme operated by the Department of Work and Pensions. The accolade recognises an employer organisation dedicated to supporting people with disabilities or health conditions in the workplace, as well as helping other employers to become 'Disability Confident'.

At 30 September 2016, there were, excluding those employed on a 'Hosted Employee Placement' basis (see note 9 of the financial statements), at least 229 (2015: 221) disabled people employed within the Company's own businesses out of a total headcount of 824 (2015: 795), representing a total of 28% (2015: 28%) of the total workforce (39% including those employed on a 'Hosted Employee Basis').

Directors' Report (continued)

Employee involvement

Involving all employees is fundamental to how the Company operates, with open communication at all levels. Through the establishment of an Employee Benefit Trust (Remploy Trustees Limited, which owns 30% of the issued share capital of the Company) following the exit from Government ownership, employees at all levels of the business have the opportunity to communicate with the Board via elected employee ownership leads, the employee council, Board of Trustees and ultimately 2 representatives on the Remploy Board. As part of the communication process, the Trust issues a financial and business report to all its employee members on a monthly basis.

Other ways by which the Company maintains its policy of openness with its employees include a weekly messenger bulletin to all staff, a regular conference call with the Chief Executive where employees have the opportunity to ask questions directly, and an annual exhibition, "Remploy Live", which all employees are actively encouraged to attend. There are regular meetings between senior management and staff to allow a free flow of information and ideas. Employees will participate directly in the success of the Company by way of a profit sharing scheme, in addition to benefits associated with membership of the Employee Benefit Trust.

Going concern

In accordance with their responsibilities, the Directors have reviewed the cash and other resources at the disposal of the business, together with budgets for the subsequent year and longer term prospects for financial performance. The business does not currently utilise any external debt instruments, nor does it expect to have any requirements to do so in the foreseeable future. Consequently, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and for this reason have adopted the going concern basis in preparing the annual report and accounts.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, Directors' Report and the Financial Statements in accordance with applicable UK 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). 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 for the period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;

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 also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' Report (continued)

Directors' indemnities

During the period an indemnity was available to the Directors against liabilities incurred by them in defending proceedings against them in relation to the affairs of the Company. The indemnity is subject to the provisions of the Companies Act and is set out in the Articles of Association.

Auditors

Ernst and Young were appointed auditors during the period. A resolution to reappoint Ernst and Young LLP as auditors will be put to the members at a general meeting.

Information contained within the Strategic Report

The Directors have chosen to disclose information on the following, required by the Companies Act 2006 to be included within the Directors Report, within the Strategic Report found on pages 2 to 4:

- Information on financial risk management and policies, and
- Information regarding future developments of the business.

Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Directors' report are listed on page 1. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information (that is information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board

G Parry

Chief Executive

8 June 2017

Independent Auditor's Report to the members of Remploy Limited

We have audited the financial statements of Remploy Limited for the year ended 30 September 2016 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet, and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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

Respective responsibilities of Directors and Auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent Auditor's Report
to the members of Remploy Limited (continued)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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.

Ernst + Young LLP

Helen Hemming (Senior Statutory Auditor)

For and on behalf of Ernst and Young LLP
Statutory Auditor
Birmingham, United Kingdom

9 June 2017

Remploy Limited

Income Statement
Year ended 30 September 2016

	Note	Year 2016 £'000	31 week period 2015 £'000
Turnover	5	45,852	24,017
Cost of sales		(31,685)	(13,907)
Gross profit		14,167	10,110
Administrative expenses		(11,048)	(6,799)
Exceptional items – reorganisation costs	8	(1,979)	-
Operating profit	6	1,140	3,311
Interest receivable and similar income	10	68	22
Exceptional items – cash contribution to Employee Benefit Trust	8	-	(600)
Profit on ordinary activities before taxation		1,208	2,733
Taxation expense	11	(298)	(732)
Profit for the financial year / period		910	2,001

All of the results for the year relate to continuing operations.

Remploy Limited

Statement of Comprehensive Income
Year ended 30 September 2016

	Year 2016 £'000	31 week period 2015 £'000
Profit for the year / period	910	2,001
Total comprehensive income for the year / period	910	2,001
Comprehensive income attributable to shareholders of the parent	637	1,401
Comprehensive income attributable to non–controlling interests	273	600
	910	2,001

Statement of Changes in Equity
Year ended 30 September 2016

	Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Total Equity £'000
At 1 October 2015	-	813	2,001	2,814
Profit for the financial year	-	-	910	910
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	910	910
Shares issued	-	-	-	-
Equity dividends paid	-	-	(1,813)	(1,813)
At 30 September 2016	-	813	1,098	1,911

Remploy Limited

Balance Sheet
As at 30 September 2016

	Note	2016 £'000	2015 £'000
Fixed assets			
Intangible assets	12	134	-
Tangible assets	13	171	419
		305	419
Current Assets			
Debtors	14	9,995	6,000
Cash at bank and in hand		5,554	11,963
		15,549	17,963
Creditors: Amounts falling due within 1 year	15	(10,208)	(13,700)
Net current assets		5,341	4,263
Total assets less current liabilities		5,646	4,682
Provisions for liabilities	16	(3,735)	(1,868)
Net Assets		1,911	2,814
Capital and reserves			
Called up share capital	17	-	-
Share premium account		813	813
Profit and loss account		1,098	2,001
Shareholders' funds		1,911	2,814

These financial statements of Remploy Limited (registered number 09457025) were approved and authorised for issue by the Board of Directors on 8 June 2017.

Signed on behalf of the Board of Directors

G Parry
Chief Executive

E Carruthers
Director

The notes on pages 14 to 29 form part of these financial statements.

1. Authorisation of financial statements and statement of compliance with FRS 101.

The financial statements of Remploy Limited (the "Company") for the year ended 30 September 2016 were authorised for issue by the Board of Directors on 8 June 2017 and the balance sheet was signed on the Board's behalf by G Parry (Chief Executive) and E Carruthers (Director). Remploy Limited is incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

The principal accounting policies adopted by the Company are set out in note 2.

2. Basis of accounting

Basis of preparation

The Company has prepared these financial statements in accordance with FRS 101.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 30 September 2016.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

a) the requirements of IFRS 7 Financial Instruments: Disclosures;
b) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
c) the requirements of paragraph 10(d) and 134-136 of IAS 1 Presentation of Financial Statements;
d) the requirements of IAS 7 Statements of Cash Flows;
e) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; and
f) the requirements of paragraph 17 of IAS 24 Related Party Disclosures.

The Company has chosen not to adopt IFRS2 Share Based Payment in the preparation of these financial statements on the basis that the impact is not material in the reporting period.

The accounts present information about the business transferred under the hive down transaction on 6 April 2015 on a 'continuation accounting' basis whereby the assets and liabilities transferred have been reflected at the predecessor carrying amounts recorded by the former parent at the date of transfer. However no information has been included or presented in relation to that part of the business transferred for any period prior to the legal transfer. This information is not available to Remploy Limited following the disposal of Remploy Limited to MAXIMUS on 7 April 2015. The information presented represents the results generated by the Company subsequent to the legal transfer in accordance with Companies Act requirements.

2. Basis of accounting (continued)

Going concern

In accordance with their responsibilities, the Directors have reviewed the cash and other resources at the disposal of the business, together with budgets for 2016/17 and longer term prospects for financial performance. The business does not currently utilise any external debt instruments, nor does it expect to have any requirements to do so in the foreseeable future. Consequently, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and for this reason have adopted the going concern basis in preparing the annual report and accounts.

3. Significant accounting policies

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received, excluding discounts, rebates and value added tax.

Sales of products and services are recognised when the significant risks and rewards of ownership have passed to the buyer, usually on dispatch (goods) or completion of delivery (services).

Revenue in relation to service fees is recognised over the period during which the Company is required to deliver the service under its contractual terms. Revenue in respect of outcome based payments provided within contracts is recognised only when the outcome giving rise to the payment has been completely achieved and the Company's performance obligations met.

Revenue in respect of funding arrangements is recognised when the service has been performed and meets the criteria for collection as set out in the funding agreement.

Interest income on bank deposits is recognised in the period during which it becomes due.

Borrowing costs

Borrowing costs are recognised in the income statement in the period in which they are incurred.

Foreign currency translation

The Company's financial statements are presented in sterling, which is also the Company's functional currency.

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Leases

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases, and rentals payable are charged in the income statement on a straight line basis over the lease term.

All leases currently held by the Company are classified as operating leases.

3. Significant accounting policies (continued)

Pension Costs

The Company operates a defined contribution pension scheme. Contributions are recognised in the income statement in the period in which they become payable under the rules of the scheme.

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax asset is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any recognised impairment loss. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Assets acquired from Disabled Peoples Employment Corporation (GB) Limited (formerly Remploy Limited) as part of the hive down agreement dated 6 April 2015 were transferred at book value less provision for impairment. No further tangible fixed assets have been acquired by the business since that date.

3. Significant accounting policies (continued)

Tangible fixed assets (continued)

Depreciation is provided so as to write off the cost or valuation of assets over their estimated useful lives using the straight line method, on the following bases:

Branch fit out costs / Leasehold improvements	- over the period of the lease
Branch and office furniture and equipment	- between 2 and 10 years
Computer hardware	- between 1 and 7 years
Computer digital infrastructure	- 3 years

The carrying values of tangible fixed assets will be reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values will be reviewed annually and adjustments will be made where required.

A tangible fixed asset will be derecognised upon disposal or where no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the de-recognition of the asset will be included in the income statement during the period of de-recognition.

Intangible fixed assets

Intangible assets are stated at cost net of amortisation and any provision for impairment. Amortisation is provided so as to write off the cost of assets over their estimated useful lives using the straight line method, on the following bases:

Software	- between 1 and 4 years

Exceptional items

The Company presents as exceptional items those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods, and to assess better trends in financial performance.

Financial instruments

Financial assets and liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and other amounts included within current assets and liabilities that meet the definition of a financial instrument approximate fair value due to the short term nature of these balances.

3. Significant accounting policies (continued)

Financial assets

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest (EIR) method, less impairment. Interest income is recognised by applying the EIR, except for short term receivables when the recognition of interest would be immaterial.

Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective rate of interest computed at initial recognition.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of a financial asset is reduced for impairment losses for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

De-recognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and subsequently all the risks and rewards of ownership of the asset to another entity.

3. Significant accounting policies (continued)

Financial liabilities

Trade and other payables

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest rate method, with interest expense measured on an effective yield basis.

De-recognition of financial liabilities

The Company derecognises financial liabilities when the Company's obligations are discharged, cancelled or they expire.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Reclassification of operating costs

Following an internal review, certain departmental functions previously recorded within administrative expenses have been reclassified in 2016 as cost of sales, as they are considered to be direct costs rather than overheads. The impact of this reclassification in 2016 has been to report an additional £1,450,000 within cost of sales that would previously have been reported as administrative expenditure.

In addition, 56 employees are now reported under employment services, having been reported under central and support services previously (note 9).

4. Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for revenues and expenses during the year. However the nature of estimation means that actual outcomes could differ from those estimates.

Provision for dilapidations

The Company makes provision for dilapidations expenditure which is expected to be incurred under the terms of property leases upon exit from those premises. The Company engaged independent property consultants to assist management in its estimation of the fair value of future requirements for dilapidations expenditure at 30 September 2016.

5. Turnover

Turnover recognised in the income statement is analysed as follows:

	Year 2016 £'000	31 week period 2015 £'000
Employment services	41,587	22,344
Hosted employee placements	2,289	1,177
Income recovered on transition costs	241	496
Specialist sourcing and placement services	1,735	-
	45,852	24,017
Finance revenue	68	22
Turnover from continuing operations	45,920	24,039

No revenue was derived from exchanges of goods or services.

6. Operating profit

This is stated after charging / (crediting):

	Year 2016 £'000	31 week period 2015 £'000
Minimum operating lease payments:		
Property	1,977	958
Other assets	740	372
Depreciation of tangible fixed assets	291	320
Loss on disposal of tangible fixed assets	48	-
Release of impairment provisions in respect of tangible fixed assets (note 13)	(91)	-
Net foreign exchange losses	6	-

During the year, the Company received grant funding of £19,149 from London Councils in respect of the Healthy Minds project. This was fully expended in the period in accordance with the agreement dated 22 July 2013, with costs in the year categorised as follows:

	Year 2016 £'000	31 week period 2015 £'000
Staff costs	15	33
Operating costs	4	8
	19	41

7. Auditor's remuneration

The Company paid the following amounts to its auditors in respect of the audit of the financial statements:

	Year 2016 £'000	31 week period 2015 £'000
Audit of the financial statements	45	35

The Company has taken advantage of the exemption not to disclose amounts paid for non - audit services as these are disclosed in the group accounts of its parent MAXIMUS Inc.

8. Exceptional items

i) Recognised in arriving at operating profit:

	Year 2016 £'000	31 week period 2015 £'000
Provision for reorganisation costs	1,979	-

In September 2016, the business announced it was embarking on a business change program in order to reduce its cost base and improve its competitive position when bidding for future opportunities. As part of this process, 153 employee posts, including both delivery and central support roles, were put at risk of redundancy, with 100 ultimately leaving the business. It was also announced that a small number of branch locations would close, with an alternative delivery model proposed in those areas. The resulting reorganisation provision comprises estimated staff redundancy costs of £1,784,000, and branch closure costs of £195,000.

ii) Recognised in arriving at profit on ordinary activities before taxation:

	Year 2016 £'000	31 week period 2015 £'000
Cash contribution to Remploy Trustees Limited	-	600

On 7 April 2015, as part of the agreement to transfer ownership of the business from the UK government to MAXIMUS, a cash contribution of £600,000 was gifted to Remploy Trustees Limited, an Employee Ownership Trust established to act on behalf of all the Company's employees. The purpose of this contribution was to enable the Trust to purchase an ownership holding of 30% of the Company.

9. Staff costs and Directors' remuneration

Staff costs

	Year 2016 £'000	31 week period 2015 £'000
Wages and salaries	23,748	11,378
Social security costs	2,069	988
Pension costs	1,436	705
	27,253	13,071

All pension costs relate to Company contributions to a defined contribution pension scheme.

Redundancy payments made during the year amounted to £263,000 (2015: £65,000). A further £1,784,000 was provided as part of the year end reorganisation provision described in note 8.

The average monthly number of employees during the period was made up as follows:

	Year 2016 No's	31 week period 2015 No's
Employment services	665	578
Hosted employee placements	149	166
Central and support services	159	216
	973	960

Directors' remuneration

	Year 2016 £'000	31 week period 2015 £'000
Aggregate remuneration	295	138
Company contributions to defined contribution pension scheme	19	5
	314	143
In respect of the highest paid director:		
Aggregate remuneration	193	138
Company contributions to defined contribution pension scheme	11	5
Aggregate remuneration	204	143

Services for three of the Directors are included within the charges made by Maximus People Services Limited during the year. Charges are made to reflect an estimate of the time spent in their role as Directors of Remploy Limited.

Notes to the Financial Statements (continued)
Year ended 30 September 2016

10. Interest receivable

	Year 2016 £'000	31 week period 2015 £'000
Bank interest receivable	35	22
Interest receivable from group companies	33	-
	68	22

11. Taxation

(i) Tax charged in the income statement

	Year 2016 £'000	31 week period 2015 £'000
Current income tax:		
UK corporation tax	302	757
Deferred tax:		
Origination and reversal of temporary differences	(4)	(25)
Tax expense in the income statement	298	732

(ii) Reconciliation of the total tax charge:

The tax expense in the income statement for the period is higher than the standard rate of corporation tax in the UK of 20% (2015 – 20%). The differences are reconciled below:

	Year 2016 £'000	31 week period 2015 £'000
Profit on ordinary activities before taxation	1,208	2,733
Tax calculated at UK standard rate of corporation tax (20%)	242	547
Effect of expenses not deductible for tax purposes	56	185
Total tax expense reported in the income statement	298	732

11. Taxation (continued)

(iii) Deferred tax

The deferred tax assets included in the Company balance sheet are as follows:

	Year 2016 £'000	31 week period 2015 £'000
Pensions	25	22
Other timing differences	4	3
Deferred tax asset	29	25

Movements in the above items make up the deferred tax credit in the income statement for the year.

(iv) Changes in UK corporation tax rate

Reductions in the main rate of Corporation Tax to 19% from 1 April 2017 and 18% from 1 April 2020 were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective from 1 April 2020) was announced in the 2016 Budget. Deferred tax has been provided at the current rate of 20%, as the majority of the timing differences reverse before any of the reductions are effective.

12. Intangible fixed assets

Intangible software assets of £134,000 were purchased during the year. No amortisation has been charged in the year as these assets did not come into operational use until October 2016.

13. Tangible fixed assets

Cost:	Short Leasehold Fit-outs £'000	Office Furniture and Equipment £'000	Computer and Digital £'000	Total £'000
At 1 October 2015:	6,084	529	2,144	8,757
Disposals	(413)	(44)	-	(457)
At 30 September 2016:	5,671	485	2,144	8,300
Depreciation and impairment:				
At 1 October 2015	5,982	505	1,851	8,338
Provided during the year	153	11	127	291
Release of impairment provision	(91)	-	-	(91)
Disposals	(373)	(36)		(409)
At 30 September 2016:	5,671	480	1,978	8,129
Carrying amount:				
At 30 September 2016:	-	5	166	171
At 30 September 2015:	102	24	293	419

14. Debtors

	2016 £'000	2015 £'000
Trade debtors	1,648	1,244
Amounts owed by group undertakings	4,072	4
Other debtors	88	64
Corporation tax	48	-
Deferred tax	29	25
Prepayments and accrued income	4,110	4,663
	9,995	6,000

Amounts owed by group undertakings include a loan balance of £3,945,000 due from The Centre for Health and Disability Assessments Limited. This loan is repayable on demand and interest is charged at Libor plus 1%.

Notes to the Financial Statements (continued)
Year ended 30 September 2016

15. Creditors: Amounts falling due within 1 year

	2016 £'000	2015 £'000
Trade creditors	533	688
Amounts owed to entities with significant influence over the Company	5	11
Amounts owed to group undertakings	202	145
Corporation tax	-	757
Social security and other taxes	1,720	2,320
Other creditors	695	275
Accruals and deferred income	7,053	9,504
	10,208	13,700

16. Provisions

	Dilapidations £'000	Contract clawback £'000	Company reorganisation £'000	Total £'000
At 1 October 2015	1,777	91	-	1,868
Arising during the period	93	13	1,979	2,085
Reversal of unused amounts	(203)	-	-	(203)
Utilised during the period	(15)	-	-	(15)
As at 30 September 2016	1,652	104	1,979	3,735
Analysed as:				
Current	1,119	104	1,979	3,202
Non - current	533	-	-	533
	1,652	104	1,979	3,735

Dilapidations

Provision is made for the cost of making good leased properties on the expiry of the lease, as required by the various leases. The requirement is calculated based on the square footage of individual premises, using rates assessed by an independent property consultant. The provision is expected to be utilised at the end of the lease terms for each of the individual properties.

16. Provisions (continued)

Contract clawback

Provision is made for clawback charges on certain publicly funded contracts where penalties may be claimed for a period of up to 14 years after contract delivery has ended.

Reorganisation

In September 2016, the business announced it was embarking on a business change program in order to reduce its cost base and improve its competitive position when bidding for future opportunities. As part of this process 153 employee posts, including both delivery and central support roles, were put at risk of redundancy, with 100 ultimately leaving the business. It was also announced that a small number of branch locations would close, with an alternative delivery model proposed in those areas. The resulting reorganisation provision comprises estimated staff redundancy costs of £1,784,000, and branch closure costs of £195,000.

17. Authorised, issued and called up share capital

Authorised	**2016 No of shares**	**2015 No of shares**	**2016 £**	**2015 £**
Ordinary shares of £0.01 each	6,000	6,000	60	60
"Y" shares of £0.01 each	14,000	14,000	140	140
	20,000	20,000	200	200
Allotted, called up and fully paid				
Ordinary shares of £0.01 each	6,000	6,000	60	60
"Y" shares of £0.01 each	14,000	14,000	140	140
	20,000	20,000	200	200

18. Retirement benefit scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the year was £1,436,000 (31 week period 2015: £705,000), which represents contributions payable by the Company to the scheme.

Company contributions totalling £125,000 (30 Sept 2015: £113,000) were payable to the scheme at the end of the year and are included in creditors.

19. Operating leases

The Company has entered into commercial leases on properties, motor vehicles and certain items of office equipment. The leases have an average duration of between 1 and 5 years. The terms of the property leases are varied, with many containing break clauses with options to renew at the request of the lessee. Some of the property leases are in secondary periods with leases continuing on a rolling basis with short term notice.

Future minimum rentals payable under non – cancellable operating leases are as follows:

	2016 £'000	**2015 £'000**
Within one year	1,797	2,062
After one year but not more than five years	1,453	2,781
After five years	-	-
	3,250	4,843

20. Related party transactions

During the period, the Company entered into transactions with other related parties. Transactions entered into during the year ended, and trading balances outstanding at, 30 September 2016 with other related parties, are as follows:

Related Party		**Sales to related party £'000**	**Purchases from related party £'000**	**Amounts owed by related party £'000**	**Amounts owed to related party £'000**
Parent undertaking					
MAXIMUS Inc	2016	-	76	-	5
	2015	-	11	-	11
Fellow group undertakings					
Maximus People Services Limited	2016	236	637	97	202
	2015	4	295	-	145
Health Management Limited	2016	30	-	24	-
	2015	9	-	4	-
The Centre for Health and Disability Assessments Limited	2016	6	-	6	-
	2015	4	-	-	-
Other related parties					
Remploy Trustees Limited	2016	-	-	4	394
	2015	-	-	-	-

20. Related party transactions (continued):

Sales and purchases between related parties are made on an arm's length basis.

In addition to the above, the Company has made a loan to The Centre for Health and Disability Assessments Limited, with a balance of £3,945,000 outstanding at 30 September 2016. This loan is repayable on demand, and interest is charged at Libor plus 1%.

Maximus Inc, Maximus People Services Limited, Health Management Limited and The Centre for Health and Disability Assessments Limited are related parties by virtue of being fellow members of Maximus Inc, which owns 70% of the Company.

Remploy Trustees Limited, an Employee Ownership Trust established for the benefit of all Remploy employees is a related party by virtue of the common Directorships in both Companies during the year of G Parry and A Quddus.

21. Ultimate Group undertaking

The Company's ultimate parent undertaking is MAXIMUS Inc., a company incorporated in the United States of America and listed on the New York Stock Exchange. The parent Company accounts are available from MAXIMUS Inc., 1891 Metro Center Drive, Reston, VA 20190, USA. The Company is included within these Group accounts.

The Company's immediate parent undertaking is MAXIMUS Companies Limited, a company registered in England and Wales.