Registered number: 09072343

THE CENTRE FOR HEALTH AND DISABILITY ASSESSMENTS LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

THE CENTRE FOR HEALTH AND DISABILITY ASSESSMENTS LIMITED

COMPANY INFORMATION

Directors	M Batty P A Williams J Farren
Registered number	09072343
Registered office	Ash House The Broyle Ringmer Lewes East Sussex BN8 5NN
Independent auditor	Ernst & Young LLP The Paragon Counterslip Bristol BS1 6BX

THE CENTRE FOR HEALTH AND DISABILITY ASSESSMENTS LIMITED

CONTENTS

STRATEGIC REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2018

Introduction

The Directors present their Strategic Report for the year ended 30 September 2018.

Principal activity and review of business

The Centre for Health and Disability Assessments Limited (the Company) was awarded a contract by the Department for Work and Pensions (DWP) on 29th October 2014 to deliver the Health Assessment Advisory Service (HAAS). Using criteria and policy determined by DWP, the role of the Company is to carry out high quality, respectful and fair functional assessments. Following each assessment, a report is submitted to DWP, who make the final decision on the ability of an individual to work and their eligibility for benefits.

The original contract expired on 28 February 2018, but in September 2017 the Company agreed with DWP to extend the contract by another two years to February 2020. Furthermore in March 2019 the UK Government announced its intention to further extend the contract to July 2021 as part of its transition programme to integrate the service with the Personal Independence Payment (PIP). The contract is a hybrid contract with fixed fee, cost reimbursable and performance based elements.

This report covers part of the third and fourth year of the contract given the contract year spans from 1 March to 28 February. The Company performed exceptionally well during the current reporting period, having gained experience, knowledge and confidence in the market it operates and ended the year with an operating profit margin of 16.8% (2017 period: 16.1%).

Financial and other key performance indicators

At the end of the year, net assets totalled £23,280,497 (2017: £19,720,802).

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

	Year ended 30 September 2018	Year ended 30 September 2017
Turnover £	**158,619,208**	161,860,711
Operating profit £	**26,724,852**	26,047,134
Operating profit margin %	**16.8%**	16.1%
Net assets £	**23,280,497**	19,720,802

At present, the Company continues to remain focused on retention and recruitment levels of health care professionals. CHDA, has implemented various incentive schemes to boost productivity and encourage greater workforce mobility, to ensure that the Company remained on track to meet its contractual yearly volume target.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2018

Principal risks and uncertainties

The Company is reliant upon a single customer.

The contract has a range of service levels which can attract service credits in the event of the Company not meeting those service levels. Some were imposed during the period under review, and we anticipate further imposition for the next financial year, but these are offset by cost reductions which we expect to continue.

Recruiting and retaining appropriate qualified and experienced healthcare professionals remains a key risk particularly as demand for healthcare professionals continues to intensify nationally across both public and private sectors. The Company continues to strengthen its position as an employer of choice for healthcare professionals through a range of measures including enhancing its remuneration, incentives and benefits package.

Historically, Work Capability Assessments and the provider carrying them out have come under intense media and political scrutiny. Since assuming responsibility for HAAS, the Company has made significant customer service improvements and embarked on a comprehensive stakeholder engagement strategy to reduce reputational risks.

The Company is meeting most of its contractual requirements, service credits are reducing and overall the company is trading more profitably.

Based upon post balance sheet performance, the Company does not expect to incur any negative 'gainshare' costs and expects service credit refunds as part of the contract year 4 annual true up exercise. For contract years 4 and 5, there are agreed contract changes which mean we would not expect the level of operating profit to remain as high as reported this year.

This report was approved by the board and signed on its behalf.

M S Batty

M Batty
Director

Date: 17 May 2019

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2018

The Directors present their report and the financial statements for the year ended 30 September 2018.

Results and dividends

The profit for the year, after taxation, amounted to £21,659,695 (2017 - £20,803,044).

Dividends of £18,100,000, amounting to £90,050 per ordinary share, were paid during the year (2017 : dividends of £12,000,000).

Directors

The current Directors are listed on the 'Company Information' page.

The Directors who served during the year were:

M A Pierleoni (appointed 1 September 2017, resigned 12 June 2018)
M Batty
P A Williams (appointed 31 October 2017)
J Farren (appointed 12 June 2018)
P A Birchall (resigned 31 October 2017)

Future developments

Assessments under the Health and Disability Assessment contract awarded by the Department for Work and Pensions (DWP) which began on 1 March 2015, continued to be delivered during the year. The option to extend the term of the contract by a period of two years through to 29 February 2020 was exercised and agreed with the DWP in September 2017, with a further extension to July 2021 being announced by the UK Government in March 2019. The business continues to focus on delivering its contractual obligations on volume and quality during the full contractual term.

Employee involvement

The Company recognises the importance of its employees and is committed to effective two-way communication and consultation.

During the year, the Company continued to provide employees with information about the Company and its group via newsletters, websites and regular announcements.

The Company considers the welfare of its staff to be of paramount importance. The Company's policy is to promote equal opportunities, and this extends to everything it does, including recruitment processes, training and development opportunities and reasonable adjustment policies.

Disabled employees

It is the Company's policy that people with disabilities should have full and fair consideration for all vacancies and training needs. The Company is committed to interview those people with disabilities who fulfil the minimum criteria, and also endeavour to retain employees in the workforce if they become disabled during employment. The Company will actively retrain and adjust their environment where possible to allow them to maximise their potential.

Directors' indemnities

The Company has made available an indemnity to the Directors against liabilities incurred by them in connection with their duties 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.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2018

Going concern

The financial statements have been prepared on a going concern basis as the Directors have prepared forecasts that indicate that the Health and Disability Assessment contract will continue to be profitable until it's expiry date, now extended to 29 February 2020, with a further extension to July 2021 announced in Parliament in March 2019. The Company does not have any external debt, and forecasts indicate that it will have adequate cash resources to meet its liabilities as they fall due for the foreseeable future.

Matters covered in the strategic report

The Directors have chosen to disclose information on the Company's principal activity, review of business and principal risks and uncertainties, required by the Companies Act 2006 to be included within the Directors' Report, instead within the Strategic Report.

Disclosure of information to auditor

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

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

Auditor

The auditor, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

M S Batty

M Batty
Director

Date: 17 May 2019

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2018

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 judgments 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE CENTRE FOR HEALTH AND DISABILITY ASSESSMENTS LIMITED

Opinion

We have audited the financial statements of The Centre for Health and Disability Assessments Limited for the year ended 30 September 2018, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 26, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE CENTRE FOR HEALTH AND DISABILITY ASSESSMENTS LIMITED (CONTINUED)

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE CENTRE FOR HEALTH AND DISABILITY ASSESSMENTS LIMITED (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Ernst & Young LLP

Jane Barwell (Senior Statutory Auditor)

for and on behalf of
Ernst & Young LLP

Statutory Auditor

The Paragon
Counterslip
Bristol
BS1 6BX

Date: 20 May 2019

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Note	2018 £	2017 £
Turnover	4	**158,619,208**	161,860,711
Cost of sales		**(114,818,908)**	(118,439,887)
Gross profit		**43,800,300**	43,420,824
Administrative expenses		**(17,075,448)**	(17,373,690)
Operating profit	5	**26,724,852**	26,047,134
Interest receivable and similar income	9	**49,307**	5,608
Interest payable and similar charges	10	**(3,057)**	(204,623)
Profit before tax		**26,771,102**	25,848,119
Tax on profit	11	**(5,111,407)**	(5,045,075)
Total comprehensive income for the year		**21,659,695**	20,803,044

There were no recognised gains and losses for 2018 or 2017 other than those included in the statement of comprehensive income.

THE CENTRE FOR HEALTH AND DISABILITY ASSESSMENTS LIMITED
REGISTERED NUMBER: 09072343

BALANCE SHEET
AS AT 30 SEPTEMBER 2018

	Note		2018 £		2017 £
Fixed assets					
Intangible assets	13		**381,621**		681,828
Tangible assets	14		**487,076**		894,103
			868,697		1,575,931
Current assets					
Debtors	15	**35,110,953**		32,816,233	
Cash at bank and in hand		**9,953,408**		10,466,558	
		45,064,361		43,282,791	
Creditors: amounts falling due within one year	16	**(21,300,406)**		(21,068,027)	
Net current assets			**23,763,955**		22,214,764
Total assets less current liabilities			**24,632,652**		23,790,695
Creditors: amounts falling due after more than one year	17		**(1,178,175)**		(3,966,161)
			23,454,477		19,824,534
Provisions for liabilities	19		**(173,980)**		(103,732)
Net assets			**23,280,497**		19,720,802
Shareholders' equity					
Called up share capital	20		**201**		201
Share premium account	21		**1,591,044**		1,591,044
Profit and loss account	21		**21,689,252**		18,129,557
Total equity			**23,280,497**		19,720,802

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

M S Batty

M Batty
Director
Date: 17 May 2019

The notes on pages 12 to 28 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 October 2016	**201**	**1,591,044**	**9,326,513**	**10,917,758**
Profit for the year	-	-	**20,803,044**	**20,803,044**
Dividends (note 12)	-	-	**(12,000,000)**	**(12,000,000)**
At 1 October 2017	**201**	**1,591,044**	**18,129,557**	**19,720,802**
Profit for the year	-	-	**21,659,695**	**21,659,695**
Dividends (note 12)	-	-	**(18,100,000)**	**(18,100,000)**
At 30 September 2018	**201**	**1,591,044**	**21,689,252**	**23,280,497**

The notes on pages 12 to 28 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018

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

The financial statements of The Centre for Health and Disability Assessments Limited (the "Company") for the year ended 30 September 2018 were authorised for issue by the Directors on 17 May 2019 and the balance sheet was signed on that date. The Company is a private company limited by shares, incorporated and domiciled in England and Wales. The registered office is Ash House, The Broyle, Ringmer, Lewes, East Sussex, BN8 5NN.

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, which is the functional currency of the Company and rounded to the nearest £. The principal accounting policies adopted by the Company are set out in note 2.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 101 - reduced disclosure exemptions

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

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
    - paragraph 79(a)(iv) of IAS 1;
    - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
    - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

2. Accounting policies (continued)

2.3 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 2017/18 and through to the end of the contract period, now extended to February 2020.

The financial statements have been prepared on a going concern basis as the Directors have prepared forecasts that indicate that the Health and Disability Assessment contract will continue to be profitable until it's expiry date, now extended to 29 February 2020, with a further extension to July 2021 announced in Parliament in March 2019. The Company does not have any external debt, and forecasts indicate that it will have adequate cash resources to meet its liabilities as they fall due for the foreseeable future.

2.4 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 as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

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

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

2.5 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is provided on the following basis:

Computer software	-	straight line over contract period up to 5 years

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

2. Accounting policies (continued)

2.6 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Short-term leasehold property	- straight line over the life of the lease
Fixtures and fittings	- straight line over contract period up to 5 years
Computer equipment	- straight line over contract period up to 5 years

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

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

2.7 Impairment of fixed assets

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets have suffered an impairment loss. If any such indication exists, the carrying value of the asset (or cash-generating unit (CGU) to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGU's). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.8 Debtors

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

2.9 Cash and cash equivalents

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

2. Accounting policies (continued)

2.10 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The Company classifies all of its financial assets as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of Comprehensive Income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The Company classifies all of its financial liabilities as liabilities at amortised cost.

At amortised cost

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Balance Sheet.

2.11 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2. Accounting policies (continued)

2.12 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

2.13 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.14 Share based payments

Where share options are awarded to employees in the form of Restricted Stock Units (RSU's), the fair value of the RSU at the date of grant is charged to the Statement of Comprehensive Income over the vesting period, based on the Company's estimate of the RSU's that will eventually vest.

2.15 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.16 Operating leases

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2. Accounting policies (continued)

2.17 Pensions

Defined contribution pension scheme

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

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

Multi-employer pension plan

The Company participates in a multi-employer plan, the Principal Civil Service Pension Scheme (PCSPS). Under this scheme, it is not possible for the Company to identify its share of the underlying assets and liabilities to enable it to account for the scheme as a defined benefit scheme. Consequently it accounts for the scheme as a defined contribution scheme.

2.18 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.19 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

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 it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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

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

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

Provision for dilapidations

The Company makes provision for dilapidations expenditure which is expected to be incurred under the terms of short property leases upon exits from those premises. The provision is based on judgements and estimates as to the likely costs on exit, the realisation of which may turn out to be more or less than the estimated amount.

4. Turnover

The whole of the turnover is attributable to the delivery of the Health and Disability Assessment Service on behalf of the Department for Work and Pensions.

All turnover arose within the United Kingdom.

5. Operating profit

The operating profit is stated after charging/(crediting):

	2018	2017
	£	£
Depreciation of tangible fixed assets	**356,444**	322,442
Loss on disposal of fixed assets	**120,201**	31,892
Amortisation of intangible assets	**286,903**	277,034
Foreign exchange differences	**(805)**	(120,586)
Operating lease rentals - property	**807,360**	856,719
Operating lease payments - other equipment	**2,856**	19,804

6. Auditor's remuneration

The company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

	2018 £	2017 £
Fees for the audit of the Company	**57,464**	50,785

There were no payments for non - audit services during the year (2017: £nil)

7. Employees

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

	2018 £	2017 £
Wages and salaries	**92,008,174**	92,274,689
Social security costs	**9,739,608**	9,835,524
Pension costs	**3,536,979**	3,494,606
	105,284,761	105,604,819

The average monthly number of employees, including the Directors, during the year was as follows:

	2018 No.	2017 No.
Clinical	**1,209**	1,244
Non - clinical	**1,064**	1,010
	2,273	2,254

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018

8. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	**370,010**	367,647
Company contributions to defined contribution pension schemes	**22,743**	7,490
	392,753	375,137

During the year retirement benefits were accruing to four Directors (2017 - one Director) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £166,710 (2017 - £276,213).

The value of the company's contributions paid to a defined benefit pension scheme in respect of the highest paid Director amounted to £9,481 (2017 - £nil).

During the year, three Directors, including the highest paid Director, were granted Restricted Stock Units under the MAXIMUS Inc. long term incentive scheme (2017 - three Directors). Awards were vested during the year for three Directors, including the highest paid Director (2017 - three Directors).

9. Interest receivable

	2018 £	2017 £
Interest receivable from group companies	**49,307**	-
Other interest receivable	**-**	5,608
	49,307	5,608

10. Interest payable and similar charges

	2018 £	2017 £
Interest on loans from group undertakings	**-**	204,623
Other interest payable	**3,057**	-

11. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profit for the year	**5,193,286**	5,084,761
Deferred tax		
Origination and reversal of timing differences	**(80,848)**	(43,802)
Adjustment in respect of prior period	**(1,031)**	1,339
Changes to tax rates	**-**	2,777
Total deferred tax (credit)/charge	**(81,879)**	(39,686)
Taxation on profit on ordinary activities	**5,111,407**	5,045,075

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - higher than) the standard rate of corporation tax in the UK of 19% (2017 - 19.5%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	**26,771,102**	25,848,119
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.5%)	**5,086,510**	5,040,383
Effects of:		
Expenses not deductible for tax purposes	**25,928**	10,786
Adjustments to tax charge in respect of prior periods	**(1,031)**	(9,707)
Tax rate changes	**-**	2,777
Other differences leading to an increase in the tax charge	**-**	836
Total tax charge for the year	**5,111,407**	5,045,075

Factors that may affect future tax charges

The reduction in the main rate of UK Corporation Tax from the current rate of 19% to 17% from 1 April 2020 was enacted in September 2016. Deferred Tax has been provided at the rates which will prevail in the periods when the timing differences are expected to reverse.

12. Dividends

	2018 £	2017 £
Paid - £90,050 per ordinary share	**18,100,000**	12,000,000

13. Intangible assets

	Computer software £
Cost	
At 1 October 2017	**1,323,701**
Reclassifications	**155,263**
Disposals	**(257,928)**
At 30 September 2018	**1,221,036**
Amortisation	
At 1 October 2017	**641,873**
Charge for the year	**286,903**
Amortisation reclassifications	**70,122**
On disposals	**(159,483)**
At 30 September 2018	**839,415**
Net book value	
At 30 September 2018	**381,621**
At 30 September 2017	681,828

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018

14. Tangible fixed assets

	Short-term leasehold property £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation				
At 1 October 2017	**593,995**	**142,961**	**776,205**	**1,513,161**
Additions	**33,447**	**4,973**	**17,894**	**56,314**
Disposals	-	-	**(56,970)**	**(56,970)**
Reclassifications	-	-	**(155,263)**	**(155,263)**
At 30 September 2018	**627,442**	**147,934**	**581,866**	**1,357,242**
Depreciation				
At 1 October 2017	**211,983**	**63,266**	**343,809**	**619,058**
Charge for the year on owned assets	**171,670**	**34,699**	**150,075**	**356,444**
Disposals	-	-	**(35,214)**	**(35,214)**
Reclassifications	-	-	**(70,122)**	**(70,122)**
At 30 September 2018	**383,653**	**97,965**	**388,548**	**870,166**
Net book value				
At 30 September 2018	**243,789**	**49,969**	**193,318**	**487,076**
At 30 September 2017	382,012	79,695	432,396	894,103

15. Debtors

	2018 £	2017 £
Trade debtors	**26,717,779**	28,583,487
Amounts owed by group undertakings	**5,122,040**	42,830
Other debtors	**301,292**	469,340
Deferred tax asset (note 18)	**140,670**	58,791
Prepayments and accrued income	**2,829,172**	3,661,785
	35,110,953	32,816,233

Amounts owed by group undertakings at 30 September 2018 include a loan due from another group company of £4,899,308. This loan is subject to an agreement providing for interest payable semi annually in arrears at a rate of LIBOR plus 1%. A principal sum of up to £5,000,000 has been made available under this agreement, with repayment in full due by 30 June 2019. Other amounts owed by group undertakings comprise current balances arising from trade that are repayable in the short term under normal trade terms.

16. Creditors: Amounts falling due within one year

	2018 £	2017 £
Trade creditors	**1,349,327**	996,090
Amounts owed to group undertakings	**1,034,207**	1,820,681
Other taxation and social security	**6,723,972**	7,979,474
Other creditors	**925,381**	705,104
Corporation tax	**2,590,686**	2,457,869
Accruals and deferred income	**8,676,833**	7,108,809
	21,300,406	21,068,027

Amounts owed to group undertakings comprise current balances arising from trade repayable in the short term under normal trade terms, and group tax relief surrendered by other group companies.

17. Creditors: Amounts falling due after more than one year

	2018 £	2017 £
Accruals and deferred income	**1,178,175**	3,966,161

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018

18. Deferred taxation

	2018 £	2017 £
At beginning of year	**58,791**	19,105
Credited to profit or loss (note 11)	**81,879**	39,686
At end of year	**140,670**	58,791

The deferred tax asset is made up as follows:

	2018 £	2017 £
Depreciation in excess of capital allowances	**-**	1,794
Other timing differences	**140,670**	56,997
	140,670	58,791

Deferred tax assets and liabilities are offset for financial reporting purposes where the Company has a legally enforceable right to do so. The deferred tax asset is substantially recoverable within 1 year.

19. Provisions

	Dilapidations £
At 1 October 2017	**103,732**
Charged to profit or loss	**70,248**
At 30 September 2018	**173,980**

Dilapidations

Provision is made for the cost of making good leased properties on the expiry of the lease, as required under the terms of the leases. The provision is expected to be utilised at the end of the lease terms for each of the individual properties.

20. Share capital

	2018 £	2017 £
Shares classified as equity		
Allotted, called up and fully paid		
201 Ordinary shares of £1 each	**201**	201

21. Reserves

The Company's reserve balances are set out in the Statement of Changes in Equity on page 11.

Share premium account

The share premium represents the aggregate of the excess paid over and above the nominal value of the Company's issued share capital.

Profit and loss account

The profit and loss account represents the accumulated retained profit of the Company.

22. Share based payments

The ultimate parent of the Company, MAXIMUS Inc., operates the MAXIMUS Inc. 1997 Equity Incentive Plan, under which certain senior employees of its subsidiaries are awarded Restricted Stock Units (RSUs). Under this scheme, shares awarded to individuals generally vest over a 5 year period, subject to specific performance criteria being met. The fair value of the cost of these awards is determined by using the closing market value of common shares in MAXIMUS Inc. at the grant date.

The cost of these awards is met by the Company, being recognised over the vesting period of each award. The cost recognised in respect of these RSUs during the year was £60,854 (2017: £42,736).

The following table illustrates the number of, and movements in, Restricted Stock Units during the year:

	2018	2017
Outstanding at the start of the year	**3,359**	535
Granted during the year	**1,707**	3,961
Vested during the year	**(1,173)**	(1,137)
Cancelled during the year	**(436)**	-
Outstanding at the end of the year	**3,457**	3,359

Awards are vested on 30 September each year end. The closing market value of MAXIMUS Inc. shares which were vested at 30 September 2018 was USD $65.06 (30 September 2017: USD $64.50). The weighted average market value of share awards that were granted in the year was USD $63.62 (2017: $54.05). The vesting periods of the awards outstanding at 30 September 2018 range between 30 September 2019 and 30 September 2022.

23. Pension commitments

The Company operates a defined contribution pension scheme for the majority of its employees, and in addition participates in the Principal Civil Service Pension Scheme (PCSPS) in respect of a number of other employees.

Under the defined contribution pension scheme, the pension cost charge for the year was £3,324,354 (2017: £2,782,798), which represents contributions payable by the Company to the scheme. Contributions totalling £594,497 (30 September 2017: £494,339) were payable to the scheme at the balance sheet date and are included within other creditors.

The Principal Civil Service Pension Scheme is an unfunded multi - employer defined benefit scheme where the Company is unable to identify its share of the underlying assets and liabilities, nor does it have the obligation to pay out benefits under the scheme. Consequently, for the purpose of reporting under International Accounting Standard 19 Employee Benefits, the scheme is accounted for as if it were a defined contribution scheme.

The scheme actuary reviews employer contributions usually every four years following a full scheme valuation.The last published valuation by the scheme actuary was that undertaken as at 31 March 2012, details of which can be found in the resource accounts of the Cabinet Office: Civil Supperannuation (www.civilservicepensionscheme.org.uk).

Pension contributions payable by the company to the PCSPS during the year amounted to £212,625 (2017: £711,808). Contributions totalling £60,780 (30 September 2017: £66,730) were payable to the scheme at the balance sheet date and are included within other creditors.

24. Commitments under operating leases

At 30 September 2018 the Company had future minimum lease payments due under non-cancellable operating leases as follows:

	2018	2017
	£	£
Land and Buildings		
Due not later than 1 year	**468,483**	505,824
Due later than 1 year and not later than 5 years	**126,495**	-
	594,978	505,824

	2018	2017
	£	£
Other operating leases		
Due not later than 1 year	**-**	2,677

25. Related party transactions

During the year, the Company was recharged costs totalling £45,045 (2017: £31,250) from Remploy Limited. A balance of £1,133 was due to Remploy Limited at 30 September 2018 (30 September 2017: £nil). The company recharged costs of £11,517 to Remploy Limited during the year (2017: £8,365). A balance of £3,322 was due from Remploy Limited at 30 September 2018 (30 September 2017: £1,713).

In addition to the above, during the year ended 30 September 2017 the Company repaid a short term loan from Remploy Limited, on which interest was charged at Libor plus 1%. The amount repaid during the year ended 30 September 2017 was £3,945,929. Interest paid on this loan during the year ended 30 September 2017 was £28,953. There were no loan transactions with Remploy Limited during the year ended 30 September 2018.

Remploy Limited is a related party as it is a fellow subsidiary which is 80% owned by MAXIMUS Companies Ltd.

26. 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 Ltd, a company registered in England and Wales.