

# **Report and Financial Statements**

**2015-16**

## **Disabled People's Employment Corporation (GB) Limited**

DPEC (GB) Ltd

5 new Street Square

London

EC4A 3TW

# Contents

## Disabled People's Employment Corporation (GB) Limited Report and financial statements 2016

### Registered Office

5 New Street Square  
London  
EC4A 3TW

Telephone: 07887 898821  
Registered number: 394532 (England and Wales)

### Bankers

The Royal Bank of Scotland Group plc.  
Corporate & Institutional Banking  
135 Bishopsgate  
London  
EC2M 3UR

### Auditor

Deloitte LLP  
4 Brindley Place  
Birmingham  
B1 2HZ

### Solicitors

Michelmores LLP  
Woodwater House  
Pynes Hill  
Exeter  
EX2 5WR

Taylor Wessing LLP  
5 New Street Square  
London  
EC4A 3TW

Capital Law LLP  
Capital Building  
Tyndall Street  
Cardiff  
CF10 4AZ

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# Performance Report

## Introductory Statement

The directors of the Disabled People's Employment Corporation (GB) Limited ("DPEC" or the "Company") present the annual report and financial statements for the year ended 31 March 2016.

This introductory statement sets out the change that the Company underwent at the start of the 2015/16 financial year and defines certain terms used throughout this report.

DPEC was formerly known as Remploy Limited and was a provider of services to transform the lives of disabled people and those experiencing complex barriers to work by providing sustainable employment opportunities.

The Company has been undergoing transformation through restructuring over recent years. The Government announced in March 2012 that it was accepting the

recommendations of the Sayce Review in full, which led to the sale or closure of the remaining 54 Remploy Enterprise Business factories, a process which was completed in the year ended 31 March 2014.

On the recommendation of the Board, the Government announced on 22 July 2014 that it would also exit the Remploy Employment Services ("Employment Services") business. Following an extensive and competitive commercial process, the sale of the Employment Services business was completed on 7 April 2015 (the "Transaction").

Before the Transaction completed, certain trade assets and liabilities comprising Employment Services, including intellectual property and the "Remploy" brand, were hived down from DPEC to Remploy (2015) Limited ("Remploy 2015"), a wholly owned

subsidiary incorporated on 24 February 2015 as the vehicle for the Transaction.

On 7 April 2015, Remploy 2015 was sold to MAXIMUS Companies Limited ("MAXIMUS"), a wholly owned subsidiary of MAXIMUS Inc. MAXIMUS subsequently transferred 30% of the shares to an Employee Benefit Trust ("EBT"), held on behalf of Remploy 2015's employees. On the same day, under the terms of the Transaction, the Company changed its name to DPEC and Remploy 2015 changed its name to Remploy Limited. As part of the Transaction, Remploy 2015 entered into a contract with the Department for Work and Pensions ("DWP") to operate and deliver a national Work Choice contract in England, Scotland and Wales until April 2017. A number of other commercial contracts delivered by

Employment Services also transferred to Remploy 2015.

The Employment Services employees engaged in these areas were transferred to Remploy 2015 under the Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE"). All employees transferred to Remploy 2015 except for 17 people who remained in the employment of the Company after 7 April 2015, but left later in 2015.

What remained with DPEC were assets and liabilities that were not commercially viable for the purchaser to acquire or were unrelated to the

Employment Services business, primarily those related to the former factory businesses. These assets and liabilities included: responsibility for the Remploy pension scheme; some properties in the process of being sold; historic claims being made against the Company; and a very small number of contracts whose delivery ended in 2015/16.

Throughout this annual report and financial statements, and for the sake of clarity, the following references are used:

- DPEC or the Company - the company formerly,

until 7 April 2015, known as Remploy Limited.

- Employment Services business, owned and carried on by the Company until 7 April 2015 and then transferred to Remploy 2015.
- Remploy 2015 - the company formed to acquire Employment Services which was sold to MAXIMUS on 7 April 2015 and changed its name to Remploy Limited.

# Chairman's Review

## ***Sale of Employment Services***

At the start of 2015/16 the Company concluded the final stage of its transformation following agreement between the Government and the Board that Employment Services should leave public ownership.

The Government and the Board had agreed that Employment Services should become a sustainable independent specialist disability employment service provider and continue to support disabled people in finding and remaining in employment. It was anticipated that a third party investor would acquire a significant stake in the business and invest in its continued growth and development, outside Government control and with the freedom and flexibility for the business to continue to grow in line with its mission.

The Government and the Board established the following success criteria that the business would:

- continue to operate and deliver a national Work Choice contract;
- continue to deliver the Company's mission to transform the lives of disabled people and those experiencing complex barriers to work by providing sustainable employment opportunities; and
- Establish the Employment Services business, including its assets and operating infrastructure, as a private sector commercial business.

The Transaction followed an extensive and competitive commercial process in accordance with these success criteria. It was announced on 12 March 2015 that Employment Services would leave the public sector in a joint venture partnership with MAXIMUS. MAXIMUS has an established track record of supporting vulnerable people by delivering high performing

health and employment services for governments on four continents, transforming lives and strengthening communities through more effective health, welfare, employment, child support and education programmes. It brings knowledge and expertise in service delivery and commercial development and will build on our Company's past success.

The sale was completed on 7 April 2015, which coincided with the 70th anniversary of the formation of the Company, and ensured the continuation of the Remploy name and its history of support for disabled people. Remploy's mission remains focused on helping to transform the lives of disabled people and those experiencing complex barriers to work by providing sustainable employment opportunities.

On 7 April 2015, those Directors moving to Remploy left the DPEC Board. I and three fellow non-executive directors

remained on the board of DPEC (two of whom left during the year) and two new directors were appointed.

### ***Performance***

Following the sale, we have been focussed on the actions necessary to achieve our goal of a solvent winding-up of DPEC. Our work has been to manage the assets, liabilities, income and expenditure of DPEC in a way that respects the Company's duties and obligations while achieving the best value for money for the tax payer. We have made substantial progress on this during 2015/16.

### ***Financial results***

Following the sale, DPEC no longer receives income from trading activities (revenue for 2015-16 was £0.264m, down from £13.155m in 2014-15). Due to the progress made towards winding up the Company, there has been no Grant-In-Aid from DWP recognised in year. As the requirement to hold cash should reduce as the

company draws to a close, DPEC has returned £3m back to the funding department (DWP), under the commitment that DWP will continue to fund future costs.

The Board has made considerable efforts to limit its Operating and Finance costs in 2015-16 to ensure the overall loss of the Company is kept to a minimum. Pre-tax loss for 2015-16 is £13.129m; this primarily composed of two items: the £3.m return of funds to DWP and £9.949m net pension scheme costs; albeit the latter is non-cash accounting adjustment.

### ***Employees***

I would like to thank all of our employees, both those who transferred as a result of the Transaction on 7 April 2015 and those who remained with the Company, who worked hard to secure and retain employment for disabled people, whilst at the same time transforming our organisation. All employees have now left the company. I am also grateful to my colleagues on the Board and in

executive and senior management for the expertise and diligence they have brought to the Company.

### ***Board***

Ian Black and Ian Thornley OBE retired from the Board on 30 June 2015. Both served the Company as Non-executive Directors with great distinction over many years. I am very grateful to each of them for contributing so strongly to the Company's success.

### ***Outlook***

We will continue to deal with the legacy issues that we are managing as efficiently and cost-effectively as possible. We intend to close the Company, via a solvent liquidation as soon as is practicable as we believe this will provide the best value for money for the public purse.

**Ian Russell OBE**

**Chairman**

**28 June 2016**

# Strategic Report

The Directors present the Strategic Report for the Company for the year ended 31 March 2016. In preparing this Strategic Report, the Directors have complied with s414C of the Companies Act 2006.

## **Review of the Business**

The Company is a private company without share capital and is limited by guarantee of the Secretary of State for Work and Pensions. Following the sale of the Employment Services business on 7 April 2015, DPEC is now wholly funded by DWP.

Following this sale, the Company is now focussed on achieving closure, managing and disposing of a small portfolio of legacy assets and liabilities with the objective of achieving best value for money.

## **Performance**

We are now working to a well-established plan for resolving the remaining assets and liabilities of

the Company, with the ultimate goal of that plan being a solvent winding-up. This plan has been developed in collaboration with our advisers and with DWP.

The Company made significant progress throughout the year towards its eventual aim:

- We completed the transfer of responsibility for the pension scheme from the Company to DWP on 1 April 2016.
- We have sold all but one of the remaining factory properties. The final property is under contract subject to planning permission and we expect this sale to complete within the next twelve months.
- We have managed retained contracts and projects through to closure and settlement.
- The last of the employees left the Company.
- We are putting in place long-term solutions to

managing DPEC's obligations under employers' liability insurance and product warranties.

- We have continued preparations for the employment tribunal hearing of unfair dismissal and related claims connected with the former factory businesses.
- We took a number of other steps to prepare for eventual wind-up, including: making arrangements for proper retention of Company data and records; liaison with HMRC over tax matters; and engaging expert insolvency practitioners on our closure plans.

## **Financial results**

Total revenue for the year was £(2.736)m (2015: £65.131m) as a direct result of no revenue generation, no Grant-In-Aid support following the sale of Remploy 2015, and the return of £3m of funds to DWP.

DPEC used its existing cash balances (including

the gain on sale, circa £2m) (2015: £nil) to cover operational and finance costs. Finance costs totalled £9.949m (2015: £9.384m), made up of interest costs on the pension scheme of £32.160m (2015: £36.235m) less the expected return on scheme assets of £22.216m (2015: £26.887m)

The company's operating losses were £1.625m (2015: profit of £18.170m).

The Company's pre-tax loss for the year was £13.129m (2015: profit of £37.510m), including £0.017m (2015: £0.062m) bank interest received and pension costs of £1.572m (2015: £5.092m) relating to both current and past service costs which arose as a result of amendments to the Company's pension scheme.

The Company incurred no tax charge for the year.

DPEC no longer has any directly employed staff.

## **Future Developments and**

## **Business Environment**

DPEC has appointed liquidators with the expectation to begin the solvent winding-up during 2016/17. Before then, we will complete the activity relating to the remaining legacy assets and liabilities.

The Main Agreement between the Company and the Secretary of State provides that *"Upon a winding-up of the Company following termination of this Agreement, the Company will use its best endeavours to ensure that the Secretary of State is consulted on an orderly winding-up of the Company. Provided that the Secretary of State's proposals for an orderly winding-up are implemented by the Company (to the extent that it is able to do so), the Secretary of State shall pay to the Company by way of a grant a sum equal to the net deficit (being the excess of liabilities over the proceeds of realisation of assets) incurred by the Company."*

In addition to the provisions set out in the Main Agreement, the Government has committed to fund the Company through to closure, and has also given an undertaking that it will continue to provide sufficient funding to ensure that any net deficit and the costs of any professional advisors or liquidators, will be fully funded until the company is closed down.

## **Risk Management**

The DPEC Board recognised the importance of strong corporate and information governance during the closure programme, where there is greater potential for risks to crystallise.

Following the divestment of Remploy ES, the range and profile of risks changed significantly, as DPEC is no longer exposed to the risks associated with managing and operating the former businesses. Instead the company faces the issues of closure, outstanding claims and the transfer of information and assets.



DPEC entered into a service level agreement “SLA” with Remploy 2015 which provides support in areas such as data processing (including corporate, operational and personal data), legislative and operational compliance, minimising the risks of financial and employer liability claims. The SLA also supports contractual obligations for legacy contracts retained post-sale.

We implemented internal processes and controls which were designed to mitigate each identified risk. The Board has identified the following potential strategic risks and uncertainties that may have a material impact on the Company:

- Effective delivery and pace of the closure programme;
- The management of financial, property and other resources,

contracted goods and services;

- The Employment Tribunal and other claims and liabilities; and
- Information governance

The risks identified above should not be regarded as a complete and comprehensive statement of all the risks but an indication of the main themes DPEC has identified, addressed and effectively managed.

These risks were reported to the Board through the strategic risk register and in more granular operational detail within the defined programme work streams updates. Risk are managed to support internal decisions, manage resources and prepare for succession and continuity issues.

To support the effective management of information risks the Cabinet Office designates requirements for public

bodies to provide information on personal data related incidents. During 2015/16 and up to the date of signing of these Accounts, no incidents have occurred for DPEC that would require reporting under these provisions (2014/15: none).

The Board confirms that it has reviewed the effectiveness of the Company’s internal controls and processes and that there are on-going management processes for identifying, evaluating and managing the significant risks and uncertainties faced by the Company.

Approved by the Board and signed on its behalf by:



**Helen John**  
**Chief Executive**  
**28 June 2016**

## ***Current Members of the Board***

<p><b>Ian Russell CBE</b> Chairman</p>	<p>Ian joined the Company as Non-executive Chairman in January 2007. Ian is also Non-executive Chairman of Johnston Press. He is a Non-executive Director of British Polythene, the Mercantile Investment Trust, HICL Infrastructure Ltd, and the BlackRock Income Strategies Trust. Previously, Ian was Chief Executive of Scottish Power and prior to that he worked for HSBC and Mars.</p>
<p><b>John Osmond</b> Non-executive Director</p>	<p>John was appointed to the Board as Non-executive Director in October 2011. His 35 years' experience in the Information Technology and Services Industry encompasses senior management positions in alliance management, strategy, transformation consultancy, programme and risk management. His most recent position for IBM was as the Director leading the alliance between IBM and Cisco across Europe, Middle East and Africa, one of IBM's largest global business partnerships. In addition to his position with the Company, John is a Governor of the Westminster Foundation for Democracy, a Director of the Compaid Trust - a Kent based charity supporting disabled people - and a Justice of the Peace.</p>
<p><b>Helen John</b> Chief Executive Joined the Board on 7 April 2015</p>	<p>Helen joined the Board on 7 April 2015 as Chief Executive and was also appointed as the company's Accounting Officer. Helen is a Senior Civil Servant, employed by the Department for Work and Pensions as head of the Stewardship team, responsible for DWP's 11 Arm's Length Bodies, including DPEC. Helen is a Chartered Accountant with many years' experience in both the public and private sectors: she began her career in the private sector and since then has spent more than twenty years at HM Treasury and DWP in both policy and finance roles.</p>
<p><b>Iain Bagwell</b> Finance Director Joined the Board on 1 March 2016</p>	<p>Iain joined the Board on 1 March 2016 as Finance Director. Iain is also a Senior Finance Business Partner at DWP for the Strategy, Policy and Analysis Group, including DWP's Arm's Length Body community. Iain is a qualified accountant and has previously held roles for the National Offender Management Service.</p>

## Former Members of the Board – members during 2015/16

<p><b>Ian Black</b> Non-executive Director</p>	<p>Ian was appointed to the Board as Non-executive Director in November 2007 and left the Board on 30 June 2015.</p>
<p><b>Ian Thornley OBE</b> Non-executive Director</p>	<p>Ian was appointed to the Board as Non-executive Director in May 2006 and left the Board on 30 June 2015.</p>
<p><b>Beth Carruthers</b> Chief Executive</p>	<p>Beth joined the Company in 2000 and left the Board on 7 April 2015.</p>
<p><b>Alexandra Owen FCA</b>  Executive Director, Finance</p>	<p>Alexandra joined the Company in August 2014 as Finance Director and left the Board on 7 April 2015.</p>
<p><b>Andy Hobbs</b>  Finance Director  Joined the Board 7 April 2015  Left the Board on 29 February 2016</p>	<p>Andy joined the Board on 7 April 2015 as Finance Director and left the Board on 29 February 2016. Alongside his role on the DPEC Board, Andy held a senior finance role for DWP, supporting and advising the Department's strategy and policy function. Andy is a qualified accountant and previously held finance roles at the Home Office, Foreign and Commonwealth Office, and the Audit Commission.</p>
<p><b>Claire Relf</b></p>	<p>Claire was appointed on 28 July 2015.</p>

Company Secretary	
<b>Jo Munns</b> Secretary	Jo joined the Company in 2001 and left the Board on 28 July 2015.

# Accountability Report

## Directors' Report

The Directors present their 71st annual report on the affairs of the Company, together with the financial statements and auditor's report for the year ended 31 March 2016. The Corporate Governance statement forms part of this report.

### ***Principal activities***

Disabled People's Employment Corporation (GB) Limited (DPEC) is a private company as defined by the Companies Act 2006, limited by guarantee, without share capital.

The Company was incorporated in 1945 with the principal objective of providing training and employment for registered severely disabled persons under special conditions. The Company is now no longer actively engaged in this activity having disposed of the operating part of the Company in the Transaction described above. We are now resolving a number of legacy assets and liabilities relating to the

company's prior business in preparation for a solvent winding-up.

### ***Environmental matters***

We recognise that our properties have an impact on the environment. We are committed to ensuring that, where practical, any adverse impact on the environment from our remaining sites is being minimised.

### ***Health and safety***

The Company has continued its efforts to maintain our excellent health and safety performance. In the year 2015/2016 we reported no accidents under RIDDOR to the HSE (2014/15: 4 RIDDOR).

### ***Going concern basis***

The company made a loss before tax of £13.1 million in 2015/16 (2015: a profit £37.5 million), and has net current assets of £1.3 million (2015: assets of £2.1 million). The Company is reliant on funding from the DWP and the Directors have received confirmation

from the DWP that on-going support in the form of Grant-in-Aid will be provided as required.

In accordance with their responsibilities as Directors, the Directors have considered the appropriateness of the going concern for the preparation of the financial statements and they no longer consider the Company a going concern basis due to the intention to achieve a solvent liquidation within the next 12 months. Refer to note 2 of the financial statements for further details on the Directors' assessment of the going concern assumption.

### ***Financial risk management objectives and policies***

Details of risks along with actions taken by the Directors have been presented in note 20 of the financial statements.

### ***Dividends***

The Company is limited by guarantee and has no share capital and

therefore does not pay dividends.

### **Directors**

Refer to the Corporate Governance report, and the Directors' and advisers' reports within this publication.

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

### **Information security**

The Directors recognise their responsibilities under the Data Protection Act to ensure that personal and commercial information is protected against internal and external threats, loss or misuse.

### **Personal data related incidents**

There were no personal data related incidents in 2015/16 reported to the Information Commissioner (none reported in 2014/15).

### **Pension fund**

During the relevant period, assets of the fund

were vested in the Board of Trustees which comprises: an independent trustee director, Mr. Robert Gravill representing the Trustee Corporation; three trustee directors appointed by the Executive Directors of the Company; and three trustee directors elected by the members. A trustee report was made available to all members during the year. Funds are managed independently by investment managers on behalf of the Scheme to whom they report each quarter.

The scheme is now closed to new accruals, following the departure of the last active member on 30 July 2015.

The Scheme actuary confirmed at the last formal actuarial valuation on 31 March 2013 that the Scheme showed a deficit of £129 million. The Company makes contributions to this deficit in line with a deficit recovery plan agreed with the Trustees and the DWP. The actuarial valuation on 31 March 2016, performed in accordance with IAS 19,

resulted in a deficit of £243.5m million (2015: £292.4 million) (note 23).

On 1 April 2016, the Secretary of State for Work and Pensions became the principal employer for the pension scheme. The Secretary of State has the legal power to fund the scheme under the Pension Schemes Act 2015. This substitution was done in recognition that DPEC will be wound up in due course. But it does not change the underpinnings of the scheme. As has long been the case, DWP continues to make clear its guarantee to fund the pension scheme and respect the rights of its members. From 1 April 2016 this is done via the Secretary of State's direct responsibility as principal employer for the scheme, rather than through DPEC.

### **Auditor**

Each of the Directors at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

- The Director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Approved by the Board and signed on its behalf by:



**Iain Bagwell**

**Finance Director**

**28 June 2016**

# Corporate Governance

## **Compliance**

The Company is committed to the principles of corporate governance contained in the UK Corporate Governance code that was issued in 2014 by the Financial Reporting Council (FRC) ('the risk guidance').

The Board has regard to the principles set out in "the risk guidance", including both the main principles and the supporting principles, insofar as they are appropriate to the Company under Government objectives for Non-Departmental Public Bodies.

## **Board of Directors**

The Board of Directors (the 'Board') are shown above. Even though DPEC ceased to be an operating company following the sale, we judged that it was still appropriate to maintain a Non-Executive-led Board. At present the Board comprises a Non-executive Chairman, a Chief Executive plus a

Finance Director, and a further independent Non-executive Director.

The Non-Executives were appointed by the Secretary of State. Recognising the end of the company's operations and the resulting closer link with DWP as the company moves towards closure, members of DWP staff were appointed as the Executive Directors. They receive no remuneration for their roles which they undertake alongside their work for DWP.

The Board is responsible for setting Company strategy, approval of major items of expenditure, and the establishment and monitoring of internal controls. It reviews the strategic direction of the Company and monitors the progress of the Company towards the achievement of budgets and plans.

## **Board performance evaluation**

A process of self-assessment evaluation of the Board, its Committees

and Directors takes place every year. The areas for assessment continue to be:

- assessment and performance improvement;
- clarity of purpose;
- tasks, code of practice and decision-making;
- skills, contribution and composition;
- building and management of agendas;
- content, format, relevance of information and presentations; and
- Engagement, tone and style to maximise effectiveness.

Issues arising from the self-assessment evaluation are presented to the Board by the Chairman and an action plan is developed and maintained to ensure continuous improvement in the operation of the Board and in the performance of the Directors.

## **Board Committees**

Prior to the Transaction, the Board had for many years a supporting committee structure in



line with the proposals of the Cadbury Committee on the Financial Aspects of Corporate Governance, comprising a separate Audit Committee and Remuneration Committee.

Directors' remuneration is shown in note 10.

Following the Transaction, the completion of the 2014/15 annual accounts and departure of the last paid employees, we took the decision to rationalise the Board structure. We have decided that it is no longer efficient or necessary to operate

separate Audit and Remuneration Committees. Thus the Board itself discharges the functions previously undertaken by those committees.

### ***Attendance at meetings during the year***

	<b>Board meetings</b>	<b>Audit Committee meetings</b>	<b>Remuneration Committee meetings</b>
<b>Number of Meetings</b>	6	1	0
<b><u>Current members</u></b>			
Ian Russell CBE	6	0	0
John Osmond	6	0	0
Helen John	6	0	0
Iain Bagwell	(1)*	0	0
<b><u>Former members</u></b>			
Ian Black	3	1	0
Ian Thornley	3	1	0
Beth Carruthers	0	0	0
Alexandra Owen	0	0**	0
Andy Hobbs	6	1	0

\*attended in observation only

\*\*attended not as Board member

## **Company Executive**

The management of the business within the annual operational plan and strategic plan is delegated to the Executive Directors. As well as the Board meetings, the Executive Directors and Company Secretary have held Executive Committee meetings in alternate months.

## **Accounting Officer**

The Chief Executive, Helen John, was designated as the Accounting Officer. The Accounting Officer was previously Mrs Beth Carruthers until the sale on 7 April 2015. The Accounting Officer's role is to advise the Board and she is responsible for the duties set out in the Non-Departmental Public Bodies Accounting Officer memorandum. She is responsible for assuring Parliament that:

- there is due propriety and regularity in the use of resources provided to the Company by the Secretary of State;
- adequate accounting, audit and information systems exist to

achieve proper financial management and control, performance information and value for money and efficiency improvements; and

- Appropriate standards are maintained and financial considerations are taken fully into account by the Board at all stages in framing and reaching decisions, and their execution.

## **Internal controls**

The Directors acknowledge that they have overall responsibility for the Company's system of internal control, including suitable monitoring procedures and for reviewing its effectiveness. The system of control is designed to ensure the maintenance of proper accounting records and the reliability of the financial information used within the business or for publication, but any such system can only provide reasonable and not absolute assurance against misstatement or loss. The Directors make commercial decisions on risk within a managed framework and against a

formal procedures and ethics policy.

The Board has regard to "the risk guidance". A review of the risk management process for significant risks was undertaken and is set out in the risk management policy document which comprises procedures, strategies and review processes. Procedures and implementation are set around an extensive Strategic Risk Framework which has been in place all year and is reviewed regularly by the Executive. In addition, the Board and management are keeping under active review the need to enhance continuously the system of internal control and risk management. This is reviewed regularly by the Board and accords with the Turnbull guidance. The Board confirms that necessary actions are being taken to remedy any significant weaknesses identified.

The Company's internal financial control and monitoring procedures include:

- clear responsibilities for the maintenance of good financial

controls and the production of accurate and timely financial management information;

- the control of key financial risks through clearly laid down authorisation levels and proper segregation of accounting duties; and
- Detailed monthly budgeting and reporting of financial results, balance sheets and cash flows, with regular review by management of variances from budgets.

The Board has reviewed the effectiveness of the system of internal controls

for the period covered by the financial statements.

### ***Related party transactions***

The Company is a Non-Departmental Public Body sponsored by the Secretary of State for the Department for Work and Pensions (DWP). During the year, as part of the transition activity to progress towards a solvent winding-up the Company has had a number of material transactions with other Government Departments and other central government bodies, all of which related to previous trading activity. No further information has been provided on these transactions as, in the

Directors' opinion; these Government Departments are not considered to meet the definition of a related party as set out in IAS 24 *Related Party Disclosures*.

By Order of the Board.



**Claire Relf**

**Company Secretary**

**28 June 2016**

## Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and the 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 are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the EU. Under company law the directors must not approve the accounts 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 that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the company's ability to continue as a going concern.

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. The directors are responsible for the maintenance and integrity of the corporate and financial information included in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### ***Responsibility Statement***

We confirm to the best of our knowledge:

The financial statements, prepared in accordance with International Financial Reporting Standards, as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit and loss of the company and the undertaking included in the consolidation taken as a whole; and



**Ian Russell CBE**

### ***By Order of the Board***

The management reports, which are incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.



**Helen John**

# Independent auditor's report

We have audited the financial statements of Disabled People's Employment Corporation (GB) Limited - ("DPEC") for the year ended 31 March 2016 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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, 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 annual report 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 31 March 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Emphasis of matter – Financial statements prepared other than on a going concern basis**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements, which explains that the financial statements have been prepared on a basis other than that of a going concern.

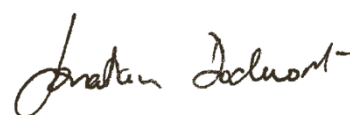
## **Opinion on other matter prescribed by the Companies Act 2006**

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.

## **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.



**Jonathan Dodworth  
(Senior Statutory Auditor)**

**for and on behalf of  
Deloitte LLP**

**Chartered Accountants  
and Statutory Auditor**

**Birmingham, United  
Kingdom**

**28 June 2016**

# Disabled People's Employment Corporation (GB) Limited

## Income statement Year ended 31 March 2016

		<b>2016</b>	<b>2015</b>
		<b>£'000</b>	<b>£'000</b>
Revenue	6	264	13,155
Grant-in-aid: (Refund)/operational support	5	<u>(3,000)</u>	<u>51,976</u>
<b>Total revenue</b>		<u>(2,736)</u>	<u>65,131</u>
Staff costs	10	3	(25,699)
Operating Income/(charges)		588	(18,693)
Depreciation	13	-	(782)
Impairment	13	(874)	-
Transition Programme Expenses	9	-	(1,344)
Gain on sale of investments	27	2,000	-
Loss on disposal of assets held for sale	15	<u>(606)</u>	<u>(443)</u>
<b>Operating (loss)/profit before pensions movement</b>	7	<u>(1,625)</u>	<u>18,170</u>
Past service cost and gain/(loss) due to scheme amendment	23	(1,572)	(5,092)
Funding from Secretary of State; pension scheme deficit		-	33,754
Finance income	11	17	62
Finance costs	11	<u>(9,949)</u>	<u>(9,384)</u>
<b>(Loss)/profit before tax</b>		<u>(13,129)</u>	<u>37,510</u>
Taxation (expense)/credit	12	<u>0</u>	<u>(1,011)</u>
<b>(Loss)/profit for the year</b>		<u>(13,129)</u>	<u>36,500</u>

All operations are discontinued.

Notes 1 to 27 are an integral part of these financial statements.



Disabled People's Employment Corporation (GB) Limited

Statement of comprehensive income

Year ended 31 March 2016

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Actuarial Profit/(loss) on defined benefit scheme	60,440	(89,110)
Net Profit/(loss) recognised directly in reserves	60,440	(89,110)
Loss/(profit) for year	(13,129)	36,500
Total comprehensive Profit/(loss) for the year	47,311	(52,610)

Notes 1 to 27 are an integral part of these financial statements.

Disabled People's Employment Corporation (GB) Limited

Statement of financial position  
As at 31 March 2016

	Note	2016 £'000	2015 £'000
<b>Non-current assets</b>			
Property, plant and equipment	13	-	874
<b>Current assets</b>			
Trade and other receivables	14	516	4,071
Cash and cash equivalents	16	1,998	12,510
Assets held for sale	15	639	789
Deferred tax assets	12	-	-
		<u>3,153</u>	<u>17,370</u>
<b>Total Assets</b>		<b>3,153</b>	<b>18,244</b>
<b>Current liabilities</b>			
Trade and other payables	18	(1,646)	(12,215)
Current tax liabilities	12	-	(13)
Provisions	22	(173)	(3,069)
		<u>(1,819)</u>	<u>(15,297)</u>
<b>Net current Assets</b>		<b>1,334</b>	<b>2,073</b>
<b>Non-current liabilities</b>			
Retirement benefit obligation	23	(243,475)	(292,399)
<b>Total Liabilities</b>		<b>(245,293)</b>	<b>(307,696)</b>
<b>Net Liabilities</b>		<b>(242,141)</b>	<b>(289,452)</b>
<b>Reserves</b>			
Funded by the Secretary of State for the Department for Work and Pensions	5	(242,141)	(289,452)

Notes 1 to 27 are an integral part of these financial statements.

These financial statements of Disabled People's Employment Corporation (GB) Limited, registered number 394532 were approved by the Board of Directors on 28 June 2016.

Signed on behalf of the Board of Directors



Ian Russell CBE  
Chairman



Helen John  
Chief Executive



Iain Bagwell  
Finance Director

Disabled People's Employment Corporation (GB) Limited

Statement of cash flows  
Year ended 31 March 2016

	Notes	2016 £'000	2015 £'000
<b>Profit for the year</b>		(13,129)	36,500
Adjustments for			
Depreciation on property, plant and equipment	13	-	782
Loss on disposal of assets held for sale	15	606	443
Gain on investments	27	(2,000)	-
Interest paid/(received)		17	(62)
Impairment of property, plant and equipment	13	874	-
Other PPE adjustments		-	(266)
Deferred tax asset		-	1,031
Retirement benefit scheme non-cash movements		11,516	(22,936)
		<hr/>	<hr/>
<b>Operating Cash flows before movement in working capital</b>		(2,116)	15,492
Decrease in trade and other receivables		3,554	3,817
Decrease in trade and other payables		(10,583)	(22,243)
Decrease in provisions for other liabilities and charges		(2,896)	(7,067)
		<hr/>	<hr/>
<b>Net cash from operating activities</b>		<b>(12,041)</b>	<b>(10,001)</b>
		<hr/>	<hr/>
<b>Investing Activities</b>			
Proceeds of disposal of assets held for sale	15	1,444	4,195
Proceeds of sale of investments	27	2,000	-
Interest (paid)/received		(17)	62
Purchase of freehold for immediate resale	15	(1,900)	-
Purchase of property, plant and equipment	13	-	(350)
		<hr/>	<hr/>
<b>Net cash used in investing activities</b>		<b>1,527</b>	<b>3,907</b>
		<hr/>	<hr/>
<b>Net decrease in cash and cash equivalents</b>		<b>(10,512)</b>	<b>(6,094)</b>
<b>Cash or cash equivalents at 1 April</b>	<b>16</b>	<hr/> 12,510	<hr/> 18,604
Cash or cash equivalents at 31 March	16	<hr/> 1,998	<hr/> 12,510

Retirement benefit scheme adjustment includes cash contributions from the Company of £nil million (2015: £37.4 million) made during the year (note 23).

Notes 1 to 27 are an integral part of these financial statements.

# Disabled People's Employment Corporation (GB) Limited

## Notes to the financial statements Year ended 31 March 2016

### 1. General information

Disabled People's Employment Corporation (GB) Limited (DPEC or "the Company") is a company incorporated in Great Britain under the Companies Act 2006. The address of the registered office was changed on 29 July 2015 and is given in the Directors and Advisers section.

These financial statements are presented in Pounds Sterling because that is the currency of the primary economic environment in which the Company operates.

#### Liability of members

The Company is limited by guarantee and has no share capital. The members of the Company are the Directors who have each undertaken to contribute to the assets of the Company in the event of the same being wound up during the time he or she is a member or within one year after he or she ceases to be a member, such amount as may be required not to exceed one pound. Refer to note 5.

The main agreement between the Company and the Secretary of State for the Department for Work and Pensions (DWP) provides the following in paragraph 12.3:

*"Upon a winding-up of the Company following termination of this Agreement, the Company will use its best endeavours to ensure that the Secretary of State is consulted on an orderly winding-up of the Company. Provided that the Secretary of State's proposals for an orderly winding-up are implemented by the Company (to the extent that it is able to do so), the Secretary of State shall pay to the Company by way of a grant a sum equal to the net deficit (being the excess of liabilities over the proceeds of realisation of assets) incurred by the Company."*

### 2. Adoption of new and revised standards

#### Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) which have been adopted by the European Union, and therefore the financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis, except for certain items which are measured at fair value as required by IFRS. The principal accounting policies adopted are set out below. The accounting policies adopted are consistent with those of the previous financial year.

#### Going concern

The company made a loss before tax of £13.1 million in 2015/16 (2015: a profit £37.5 million), and has net current assets of £1.3 million (2015: assets of £2.1 million). The Company is reliant on funding from DWP and the Directors have received confirmation from DWP that on-going support in the form of Grant-in-Aid will be provided as required.

On 1 April 2016 DWP assumed responsibility for the Companies pension scheme and all the scheme's liabilities.

The Directors have prepared cash flow forecasts which show that the Company is expected to operate within existing cash balances.

After making enquiries the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, however, it is the intention of the Directors to achieve a solvent liquidation of the Company within 12 months of the date of signing of the accounts after all liabilities are concluded. Accordingly, they no longer consider the Company a going concern. The accounts have been prepared on a basis other than going concern; however, no adjustments were required.

### **3. Significant accounting policies**

#### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and VAT.

Sales of services and products are recognised when goods and services are delivered and title has passed.

Sales of services rendered in relation to recruitment services are accrued to delivery of service, except where part of the contract is paid on the basis of a service fee which is accounted for on a straight-line basis.

Revenue in respect of funding is recognised when the service has been performed and meets the criteria for collection as set out in the funding agreement. Interest income is accrued by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised as income or matched against the specific costs which they relate to in the period in which they become receivable. Other grants are recognised as income over the periods necessary to match them with the related costs for which they are intended to compensate, on a systematic basis. Grant-in-Aid is drawn down from DWP as required by way of funding requests, and is accounted for in accordance with IAS 20 "accounting for Government Grants". During the year £3.0m surplus Grant-in-Aid funding released due to the unwinding of business activity was returned to DWP.

#### **Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Following on from the transition programme, all of the remaining properties are classified as short-term leases and accounted for as operating leases.

Assets held under finance leases are recognised as assets of the Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the Statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

#### **Foreign currencies**

Transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each Statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the Statement of financial position date. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the Income statement for the period.

### **3. Significant accounting policies (continued)**

#### **Retirement benefit costs**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

For defined benefit schemes, the cost of providing benefits is calculated in accordance with IAS 19, with actuarial valuations being carried out at each Statement of financial position date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside of the Income statement and presented in the Statement of comprehensive income.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the Statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any assets resulting from this calculation are limited to past service cost plus the present value of available refunds and reductions in future contributions to the scheme.

#### **Taxation**

The tax expense represents the deferred tax recognised.

Taxable profit differs from net profit as reported in the Income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Statement of financial position date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the Statement of financial position liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each Statement of financial position date and reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the assets is realised. Deferred tax is charged or credited in the Income statement, except when it relates to items charged or credited directly to equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities.

#### **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. Grants received to fund acquisition of assets are offset against the cost of the asset and amortised over the life of the asset.

### 3. Significant accounting policies (continued)

Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:

Freehold buildings	50 years
Leasehold land and buildings	period of lease or 50 years whichever shorter
Fixtures and fittings	between 2 and 10 years
Branch fit-outs	period of lease between 1-7 years
Computer Hardware	between 1 and 7 years
Computer Software	3 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each Statement of financial position date.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognised in the Income statement.

#### **Impairment of tangible assets**

At each Statement of financial position date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

### **3. Significant accounting policies (continued)**

#### **Assets held for sale**

Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. The condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

#### **Financial instruments**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

#### **Financial assets**

##### ***Loan and receivables***

Trade receivables, loans and others receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

##### ***Impairment of financial assets***

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 interest rate 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 by the impairment loss directly for all financial assets with the exceptions 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 on 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.

##### ***Derecognition 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 substantially all the risks and rewards of ownership of the asset to another entity.



### 3. Significant accounting policies (continued)

#### **Financial liabilities**

Financial liabilities are classified according to the substance of the contractual arrangement entered into.

#### ***Bank borrowings***

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

#### ***Trade payables***

Trade 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 recognised on an effective yield basis.

#### ***Derecognition of financial liabilities***

The Company derecognises financial liabilities when, and only 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. Provisions are made for legal costs in respect of expected costs and for estimated damages where it is judged probable that damages will be payable.

#### **4. Critical accounting judgements and key sources of estimation uncertainty**

##### ***Critical judgements in applying the Company's accounting policies***

In the process of applying the Company's accounting policies, which are described in note 3, the Directors have made the following judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

##### ***Impairment of fixed assets***

The Directors have performed an impairment review of the carrying value of fixed assets as required under IAS 36 *Impairment of Assets*.

The land and buildings were revalued to market value at the IFRS transition date; all properties were either disposed of or held for sale at the Statement of financial position date.

##### ***Impairment of receivables***

The Directors have reviewed the trade receivables to assess the need for a provision for the impairment of receivables. In determining whether an impairment loss should be recorded in the Income statement, the Directors have made judgements based on prior experience and the current economic environment.

Accordingly, a provision for the impairment of receivables is made where there is an identified loss event, or condition which, based on previous experience and the current economic environment, is evidence of a reduction in the recoverability of the cash flow.

##### ***Self-insurance***

The Company has provided for partial self-insurance arrangements in respect of employer's liability based on estimates received from independent claims administrators. The Company has also included an estimate of claims incurred but not recorded. This has been based on the historical lead time in days between the accident and the claim being reported. The Company has been fully insured for this risk since 1 April 2013.

##### ***Defined benefit obligation***

The Company operates a defined benefit pension scheme. The retirement benefit obligation recorded is based on actuarial assumptions, including discount rates, inflation and mortality rates. The assumptions are based on current market conditions, historical information and consultation with and input from actuaries. The Directors review the assumptions annually. If they change, or actual experience is different from the assumptions, the retirement benefit obligation will be adjusted accordingly.

##### ***Impairment of assets held for sale***

The Directors have performed an analysis of the fair value less cost to sell of land and buildings classified as assets held for sale as required under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. The Directors have used either agreed selling price or independent valuations performed to determine the fair value of assets held for sale. The cost to sell these assets has been estimated by the Directors based on the complexity of the asset to be sold and an estimate of the legal and other related expenses to be incurred.

## 5. Financial agreement with the DWP

### Grant-in-aid

The Company has entered into agreements with the DWP under which:

1. Grant-in-Aid and loans have been received (secured by fixed and floating charges on the Company's assets) to finance the purchase of fixed assets; and
2. Grant-in-Aid has been received in respect of:
  - (a) Forecast cash requirements from operations;
  - (b) Forecast changes in working capital; and
  - (c) Funding for the pension scheme deficit.

### Cost of capital

In line with Treasury guidelines, the Company is required to disclose the notional cost of capital. The notional interest would have been a charge of £9.3 million for the year at 3.5% (2014: £6.1 million at 2.2%) based on an average capital employed.

### Reserves

The movements in the reserve account during the year were as follows:

<b>Reserves</b>	<b>2016 £'000</b>	<b>2015 £'000</b>
Balance b/f	(289,452)	(236,842)
<u>Grant in Aid</u>		
funding (repaid)/received for ongoing operations	(3,000)	51,976
funding received for transition programme	-	443
funding received for pension contributions	-	33,754
Net results before Grant-in-Aid (repaid)/received	(10,129)	(49,673)
Income statement	(13,129)	36,500
Transfer from statement of comprehensive income	60,440	(89,110)
Balance at 31 March	<b>(242,141)</b>	<b>(289,452)</b>

## 6. Business segments

### Products and services from which reportable segments derive their revenue

Information regarding the Company's operating segments is reported below.

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<b><u>Revenue</u></b>	<b><u>External</u></b>	<b><u>External</u></b>
	<b><u>Sales</u></b>	<b><u>Sales</u></b>
Employment Services	83	13,087
Central and support services	181	68
Transition	-	23
Income statement total revenue from discontinued operations	<u>264</u>	<u>13,178</u>

There were no inter-segment sales or internal sales between business segments.

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<b><u>(Loss)/profit before tax</u></b>		
<b><u>from discontinued operations</u></b>		
(Repayment of)/revenue from Grant-in-Aid	(3,000)	51,976
Employment Services	(620)	(31,279)
Central and support services	2,182	(10,505)
Transition	-	(1,344)
Pensions	(11,691)	28,662
	<u>(13,129)</u>	<u>37,510</u>

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<b><u>Total assets</u></b>		
Employment Services	-	14,692
Central and support services	3,153	3,552
	<u>3,153</u>	<u>18,244</u>

## 6. Business segments (continued)

<b><u>Liabilities</u></b>	<b>2016 £'000</b>	<b>2015 £'000</b>
Employment Services	-	(9,523)
Central and support services	(1,818)	(5,761)
Pensions	(243,475)	(292,620)
	<u>(245,293)</u>	<u>(307,904)</u>

<b><u>Capital Expenditure</u></b>	<b>2016 £'000</b>	<b>2015 £'000</b>
Employment Services	-	350
	<u>-</u>	<u>350</u>

<b><u>Depreciation</u></b>	<b>2016 £'000</b>	<b>2015 £'000</b>
Employment Services	-	782
	<u>-</u>	<u>782</u>

<b><u>Impairment on Property, Plant and Equipment</u></b>	<b>2016 £'000</b>	<b>2015 £'000</b>
Central and support services	874	-
	<u>874</u>	<u>-</u>

## 7. Operating Profit

The operating profit has been arrived at after charging/ (crediting) the following:

	<b>2016 £'000</b>	<b>2015 £'000</b>
Depreciation of property, plant and equipment	-	782
Impairment of property, plant and equipment	874	-
Gain on sale of investments	(2,000)	
Loss on disposal of assets held for sale (note 15)	606	743
Movement on provision for impairment of trade receivables	(20)	(72)
Release of provision for retentions on commercial contracts and onerous leases	(2,749)	(1,028)

## 8. Auditor's remuneration

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<b>Audit services</b>		
Fees payable to the Company's auditors for the audit of the company's annual accounts	65	148
Other Audit services	18	3
<b>Non-audit services</b>		
Tax compliance	18	33
Tax advisory	8	62
Tax advisory – Business sale	-	48
	<hr/> 109	<hr/> 294

The movement in fees reflects a reduction in work as a result of the sale of the Employment Services business.

## 9. Transition programme costs

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<b>Transition Programme</b>		
Revenue	-	23
Grant-in-Aid	-	443
<b>Total revenue</b>	<hr/> -	<hr/> 466
Materials	-	(218)
Staff costs	-	(884)
Operating charges	-	(708)
<b>Operating profit</b>	<hr/> -	<hr/> (1,344)
Finance costs	-	-
<b>Profit before tax</b>	<hr/> -	<hr/> (1,344)

## 10. Staff costs and Directors' remuneration

The average monthly number of employees (including executive Directors) was as set out in table below:

### Average Staff Numbers

	2016	2015
Employment Services	17	1,016
Corporate and support services	3	22
	<u>20</u>	<u>1,038</u>

The aggregate payroll costs were as follows:

	2016 £'000	2015 £'000
Salaries	(6)	23,647
Social Security Costs	<u>3</u>	<u>2,053</u>
	<u>(3)</u>	<u>25,699</u>

Salaries are net of holiday pay provision release of £532k.

### Directors' remuneration

	2016 £'000	2015 £'000
Aggregate remuneration	12	208
Pensions and life assurance	-	23
Supplementation of pensions paid to former Directors in the year	<u>119</u>	<u>115</u>
	<u>131</u>	<u>346</u>

## 10. Staff costs and Directors' remuneration (continued)

### Contractors and off-payroll arrangements

DPEC is required by HM Treasury guidance to report on its use of contractors who:

- have off-payroll tax arrangements;
- earn more than £220 per day; and
- Are in engagements that last for longer than six months.

<b>No. of existing engagements as of 31 March 2016</b>	<b>3</b>
No. that have existed for less than one year at time of reporting	0
No. that have existed for between one and two years at time of reporting	0
No. that have existed for between two and three years at time of reporting	3
No. that have existed for between three and four years at time of reporting	0
No. that have existed for four or more years at time of reporting	0

In line with HM Treasury guidance, DPEC has sought assurance in relation to their income tax and National Insurance obligations.

## 11. Finance income and costs

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<b>Finance Income</b>		
Bank income receivable on cash and cash equivalents	17	62
<b>Finance Costs</b>		
Interest costs on pension scheme	32,160	36,235
Expected return on pension scheme assets	(22,216)	(26,887)
Net pension scheme costs	9,944	9,348
Bank charges payable	5	36
Total Finance costs	9,949	9,384



## 12. Taxation

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<b><u>Current tax</u></b>		
Current year charge	-	13
Prior year adjustment	-	(33)
	-	(20)
Deferred tax debit	-	1,031
<b>total tax charge</b>	<b>-</b>	<b>1,011</b>
<hr/>		
Total (loss)/profit	(13,129)	37,510
<hr/>		
Income tax expense calculated at 20% (2015: 20%)	(2,626)	7,502
Prior year adjustment	-	(33)
Effect of expenses that are not deductible in determining taxable profit	524	350
Timing differences on which no deferred tax is recognised	2327	(7,164)
Accelerated capital allowances on which no deferred tax is recognised	175	(249)
Brought forward losses utilised in period	(400)	(426)
Income tax (credit)/expense recognised in the Income statement	-	(20)
<hr/>		
Deferred tax assets at 20% (2015: 20%)		
On pensions deficit	-	-
<hr/>		
	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Unrecognised deferred tax assets		
On pension deficit	43,826	61,053
Tax losses – trade	-	382
Tax losses – capital	288	417
Fixed assets timing differences	-	1,669
Other temporary differences	115	179
	<b>44,229</b>	<b>63,700</b>

### 13. Property, plant and equipment

	Note	Computer Software £'000's	Fixtures, Fittings and Fit-outs	Assets under construction £'000's	Total £'000's
<b>Cost</b>					
As at 1 April 2014		1,833	6,575	179	8,587
Transfers		179	-	(179)	-
Additions		312	37	-	349
As at 31 March 2015		2,324	6,612	-	8,936
Disposals		(2,324)	(6,612)	-	(8,936)
As at 31 March 2016		-	-	-	-
As at 1 April 2014		(1,574)	(5,706)	-	(7,280)
Charge for the year	7	(219)	(563)	-	(782)
As at 31 March 2015		(1,793)	(6,269)	-	(8,062)
Impairment loss	7	(531)	(343)	-	(874)
Elimination on disposals		2,324	6,612	-	8,936
As at 31 March 2016		-	-	-	-
<b>Net Book Value</b>					
As at 31 March 2016		-	-	-	-
As at 31 March 2015		531	343	-	874

At 31 March 2016, the Company had not entered into any contractual commitments for the acquisition of property, plant and equipment. (2015: £Nil).

#### 14. Trade and other receivables

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<b>Trade receivables</b>	-	2,222
Provision for impairment of trade receivables	-	(20)
Provision for credit notes	-	(12)
<b>Net trade receivables</b>	-	<b>2,190</b>
Other receivables	491	967
Prepayments	25	914
	<b>516</b>	<b>4,071</b>

Management have taken into account the current economic environment and performed a detailed analysis of the recoverability of trade receivables and made provisions as considered appropriate.

Before accepting any new customer, the Company assessed the potential customer's credit quality and defined credit limits by customer. Credit limits attributed to customers were reviewed on an on-going basis if active but also annually with the Board approval for all accounts with an increase in credit limit of £1,000,000 and above.

There are no customers who represent more than 25% (2015: nil) of the total balance of trade receivables.

<b>Ageing of past due but not impaired receivables</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Up to 6 months	-	110
6-12 months	-	16
Over 12 months	-	-
	-	<b>126</b>

The Company has not provided for the above trade receivables as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Company does not hold any collateral over these balances. The company had no trade receivables in 2016; the average age of these receivables in 2015 was 50 days.

<b>Provision for Impairment of receivables</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
As at 1 April	(20)	(91)
Impairment losses recognised	20	11
Impairment released	-	57
Amount written off as uncollectible	-	2
<b>As at 31 March</b>	-	<b>(20)</b>

In determining the recoverability of a trade receivable the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that no further provision is required in excess of the allowance for doubtful debts.

#### 14. Trade receivables (continued)

A 100% provision is held for any accounts in liquidation.

<b>Ageing of impaired receivables</b>	<b>2016 £'000</b>	<b>2015 £'000</b>
Up to 6 months	-	6
6-12 months	-	14
	-	20

No receivables have been renegotiated in the current or prior year. The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

#### 15. Assets classified as held for sale

The assets held for sale represents land and buildings which the Company expects to sell within the next 12 months.

	<b>Net book value £'000's</b>	<b>Impairment £'000's</b>	<b>Net Carrying Value £'000's</b>
Assets held for sale			
As at 1 April 2015	1,116	(327)	789
Disposed during Year	(150)	-	(150)
	966	(327)	639

<b>Loss on disposal of assets held for sale in year</b>	<b>Proceeds £'000's</b>	<b>Net carrying value £'000's</b>	<b>Loss on disposal £'000's</b>
Springburn	(44)	150	106
Baglan (freehold bought and sold in year to exit onerous lease)	(1,400)	1,900	500
	(1,444)	2,050	606

#### 16. Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates to their fair value.

	<b>2016 £'000</b>	<b>2015 £'000</b>
Cash in hand and at bank	1,998	12,510

## 17. Obligations under finance leases

The Company did not lease any fixtures or equipment under finance leases for the year ended 31 March 2016 (2015: Nil).

## 18. Trade and other payables

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Trade payables	-	1,440
Accrued expenses	303	3,890
Employment payables	-	2,678
Social security and other taxes	3	815
Deferred income	-	626
Other payables	1,340	2,766
	<u>1,646</u>	<u>12,215</u>

Included within other payables is £1.3m (2015: £2.3m) for expected excess payments on insurance claims.

Trade payables and accrued expenses principally comprised amounts outstanding for trade purchases and ongoing costs. Employment payables relate to costs of staff including salary-related costs.

The Directors consider that the carrying amount of trade payables and other payables approximates to their fair value.

## 19. Bank facilities

The Company no longer has an overdraft facility (2015: the average effective interest rate on the bank overdraft for the year approximated to 1.5 % per annum).

The Directors estimate the fair value of the Company's borrowings to approximate to the book value.

At 31 March 2016 the Company had £ nil (2015: £5.0 million, all unused) committed borrowing facility in respect of which all conditions precedent had been met.

## 20. Financial instruments

### (a) Financial risk management

The Company has exposures to the following risks from its use of financial instruments:

- Capital risk management;
- Credit risk;
- Liquidity risk; and
- Cash flow and interest rate risk.

## **20. Financial instruments (continued)**

This note presents information about the Company's exposure to each of the above risks, the Company's management of the Grant-in-Aid provided by the DWP, and the Company's objectives, policies and procedures for measuring and managing risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has put in place policies that have been established to identify and analyse risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

### **Capital risk management**

The Company is a private Company as defined by the Companies Act 2006, limited by guarantee, without share capital and therefore meets its capital requirements by way of funding from the DWP. The details of Grant-in-Aid movements and the purpose for which these are received have been provided in note 5.

The capital structure of the Company consists of a bank overdraft presented in note 19 (2015 only), cash and cash equivalents presented in note 16 and reserves which are funded by the DWP presented in note 5.

### **(b) Categories of financial instruments**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 3 to the financial statements.

### **(c) Credit risk management**

The Company's principal financial assets are bank balances, cash and other receivables, which represent the Company's maximum exposure to credit risk in relation to financial assets.

### **(d) Liquidity risk management**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

In order to maintain liquidity to ensure that sufficient funds are available for on-going operations and future developments, the Company agrees an annual funding plan with the DWP. The Company continues to operate within the agreed funding envelope.

The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and informing DWP where funding may be required.

The table below has been drawn up based on the contractual maturities of the financial assets including interest that will be earned on those assets except where the Company anticipates that the

## 20. Financial instruments (continued)

cash flow will occur in a different period and financial liabilities have been presented based on the earliest date on which the Company can settle the debt.

<b>Financial Assets</b>	note	<b>2016 £'000</b>	<b>2015 £'000</b>
Trade and other receivables			
trade receivables	14	-	2,190
other receivables	14	516	1,881
Cash and cash equivalents	16	1,998	12,510
		<u>2,514</u>	<u>16,581</u>
<b>Financial Liabilities</b>			
Trade and other payables			
trade payables	18	-	1,440
employment payables	18	-	2,678
social security and other taxes	18	3	815
accrued expenses	18	303	3,890
other payables	18	1,340	2,767
Current tax liability	12	-	13
		<u>1,646</u>	<u>11,603</u>

	Carrying amount £'000's	Contractual Cash flow £'000's	Due less than 1 year £'000's	Between 1-2 years £'000's
<b>As at March 2016</b>				
<b>Financial Assets</b>				
Trade and other receivables				
trade receivables	-	-	-	-
other receivables	516	516	516	-
Cash and cash equivalents	1,998	1,998	1,998	-
	<u>2,514</u>	<u>2,514</u>	<u>2,514</u>	-
<b>Financial Liabilities</b>				
Trade and other payables				
trade payables	-	-	-	-
employment payables	-	-	-	-
social security and other taxes	3	3	3	-
accrued expenses	303	303	303	-
other payables	1,340	1,340	1,340	-
	<u>1,646</u>	<u>1,646</u>	<u>1,646</u>	-
<b>As at March 2015</b>				
	Carrying amount £'000's	Contractual Cash flow £'000's	Due less than 1 year £'000's	Between 1-2 years £'000's

**Financial Assets**

## Trade and other receivables

trade receivables	2,190	2,190	2,190	-
other receivables	1,881	1,881	1,881	-
Cash and cash equivalents	12,510	12,510	12,510	-
	<u>16,581</u>	<u>16,581</u>	<u>16,581</u>	<u>-</u>

**Financial Liabilities**

## Trade and other payables

trade payables	1,440	1,440	1,440	-
employment payables	2,678	2,678	2,678	-
social security and other taxes	815	815	815	-
accrued expenses	3,890	3,890	3,890	-
other payables	2,767	2,767	2,767	-
Current tax liability	13	13	13	-
	<u>11,603</u>	<u>11,603</u>	<u>11,603</u>	<u>-</u>

**(e) Cash flow and interest rate risk management**

The Company has no significant interest bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

The Company no longer has any interest rate risk as it has no bank overdraft borrowing or finance leases.

Management prepares regular cash flow forecasts and requests further funding from the DWP if required.

**(f) Fair value of financial instruments**

The fair value is defined as the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties and is calculated by reference to market rates discounted to current value.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate to their fair values due to the short maturity of the instruments or because they bear interest at rates approximate to the market.



## 21. Operating leases

The majority of the operating lease commitments related to property. Other lease arrangements related to vehicles and plant and equipment.

	2016 £'000	2015 £'000
<b>Lease expenses under operating leases recognised in profit for the year</b>		
Plant and Machinery	-	-
Other	-	3,450
	-	5,437
<b>Total of future minimum lease payments under non-cancellable operating leases for each of the following periods:</b>		
Within one year	-	344
Between two and five years	-	1,897
More than five years	-	961
	-	3,202

## 22. Provisions

Onerous contracts and contract cancellation relates to contractual obligations on operating leases affected by the Transition programme (note 9).

	<b>Onerous contracts and contract cancellation £'000</b>
as at 1 April 2015	3,069
Additional provision	128
Provision released	(2,877)
Utilised	(147)
as at 31 March 2016	173

### 23. Retirement benefit schemes

The Company operated a defined benefit pension arrangement called the Remploy Limited Pension and Assurance Scheme (the Scheme) up until 1 April 2016. The Secretary of State took over as principal employer of the Scheme with effect from this date. The Scheme provides benefits based on final salary and length of service on retirement, leaving service or death. The Company also operated a defined contribution scheme which is a sub-section of the Scheme, and allowance has been made for these benefits in this disclosure. The Scheme is subject to the Statutory Funding Objective under the Pensions Act 2004. A valuation of the Scheme is carried out at least once every three years to determine whether the Statutory Funding Objective is met. As part of the process the Company must agree with the trustees of the Scheme the contributions to be paid to address any shortfall against the Statutory Funding Objective. The Statutory Funding Objective does not currently impact on the recognition of the Scheme in these accounts. The Scheme is managed by a corporate Trustee, with directors appointed in part by the Company and part from elections by members of the Scheme as well as independent representation from an independent trustee. The Trustee has responsibility for obtaining valuations of the fund, administering benefit payments and investing the Scheme's assets. The Trustee delegates some of these functions to their professional advisers where appropriate.

Prior to 1 April 2016 the Scheme exposed the Company to a number of risks:

#### Investment risk

The Scheme holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide the real returns over the long-term the short-term volatility can cause additional funding to be required if a deficit emerges.

#### Interest rate risk

The Scheme's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Scheme holds assets such as equities the value of the assets and liabilities may not move in the same way.

#### Inflation risk

A significant proportion of the benefits under the Scheme are linked to inflation.

Although the Scheme's assets are expected to provide a good hedge against inflation over the long term, movements over the short-term could lead to deficits emerging.

#### Mortality risk

In the event that members live longer than assumed a deficit will emerge in the Scheme.

#### Settlements/curtailments

Part of the Company transferred to Remploy 2015 on 6 April 2015. Members whose employment transferred to Remploy 2015 have joined a new pension arrangement operated by Friends Life called the Remploy Master Trust Pension Scheme. Such members ceased active membership of the Scheme on 5 April 2015, transferred to Remploy 2015 and joined the new pension arrangement on 6 April and MAXIMUS subsequently took ownership of Remploy 2015 on 7 April. This transfer involved the majority of the active membership with a handful of active members remaining in the Scheme for the following few months. The members involved in the transfer have become deferred members of the Scheme. For members of the final salary section, this curtailment event had no impact on the IAS19 disclosure as the salary increase assumption is in line with inflation, i.e. the same rate at which deferred members' pensions increase before retirement.

### 23. Retirement benefit schemes (continued)

A relatively small curtailment saving does however arise from the same event in respect of the active members of the money purchase section at 5 April 2015 becoming deferred members. Active members of the money purchase section were entitled to join the final salary section after two years of service, at which point they would receive a service credit in the final salary section based on their period of service in the money purchase section. As a result, active members of the money purchase section have historically been treated for accounting purposes as active members of the final salary section, with a liability value based on service to the accounting date (for the purpose of the IAS19 disclosure). The inclusion of the active members of the money purchase section has historically led to an additional deficit as the final salary liability has been greater than the associated active members' money purchase assets. A relatively small curtailment saving has therefore arisen as a result of the associated liability figures changing from a final salary calculation basis to simply the value of the money purchase assets.

A second event took place when the money purchase section transferred to the Master Trust with Friends Life in November 2015. At this point in time, all money purchase benefits were treated as purely money purchase (i.e. after the curtailment above). The impact of the settlement is therefore to remove the assets and equal liabilities from the balance sheet (approximately £6.5 million), with no P&L impact. The amount is included in "benefits paid" for both the reconciliation of the assets and the defined benefit obligation.

#### Explanation of amounts in the financial statements

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Amounts recognised in the Balance sheet		
Fair value of assets	654,392	690,118
Present value of funded obligations	<u>(897,867)</u>	<u>(982,517)</u>
Deficit*	(243,475)	(292,399)
Impact of asset ceiling	<u>-</u>	<u>-</u>
Net defined benefit liability	<u><u>(243,475)</u></u>	<u><u>(292,399)</u></u>

\* Deficit shown prior to deferred taxation

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Reconciliation of net defined benefit liability (asset)		
Net defined benefit liability at beginning of Period	292,399	226,225
Service cost (including administration costs)	1,730	4,887
Past Service Cost	34	205
Curtailment Cost (Saving)	(17)	-
Net interest expense	9,944	9,348
Remeasurements	(60,440)	89,110
Employer Contributions	<u>(175)</u>	<u>(37,376)</u>
Net defined benefit liability at end of period	<u><u>243,475</u></u>	<u><u>292,399</u></u>

## 23. Retirement benefit schemes (continued)

Amounts recognised in the Profit & Loss account over the year	2016 £'000	2015 £'000
Service cost (including administration costs)	1,730	4,887
Interest on liabilities	32,160	36,235
Interest on assets	(22,216)	(26,887)
Past Service Cost	34	205
Curtailement Cost (Saving)	(17)	-
Settlement	-	-
Net defined benefit liability at end of period	<u>11,691</u>	<u>14,440</u>

Remeasurements over the year	2016 £'000	2015 £'000
Losses/(gains) on Scheme assets in excess of Interest	11,994	(44,418)
Experience losses/(gains) on liabilities	(18,200)	(9,969)
Losses/(gains) from changes to demographic Assumptions	-	(3,909)
Losses/(gains) from changes to financial Assumptions	(54,234)	147,406
Changes in effect of asset ceiling	-	-
Total remeasurements	<u>(60,440)</u>	<u>89,110</u>

### Reconciliation of assets and Defined Benefit Obligation

The change in the assets over the period was:	2016 £'000	2015 £'000
Fair value of assets at the beginning of the period (excluding AVCs and money purchase deferred members)	673,567	592,696
Interest on assets	22,216	26,887
Company contributions	175	37,376
Contributions by Scheme participants	19	1,117
Benefits paid (including expenses)	(40,521)	(28,927)
Change due to settlements	-	-
Return on Scheme assets less interest	(11,994)	44,418
<b>Fair value of assets at the end of the period (excluding AVCs and money purchase deferred members)</b>	<u><b>643,462</b></u>	<u><b>673,567</b></u>
Money purchase (deferred members only)	-	5,673
AVC investments	10,930	10,878
<b>Fair value of assets at the end of the period (including AVCs and money purchase deferred members)</b>	<u><b>654,392</b></u>	<u><b>690,118</b></u>

### 23. Retirement benefit schemes (continued)

The change in the Defined Benefit Obligation over the period was:	2016 £'000	2015 £'000
<b>Defined Benefit Obligation at the beginning of the period (excluding AVCs and money purchase deferred members)</b>	965,966	818,921
Current service cost (including administration costs)	1,730	4,887
Contributions by Scheme participants	19	1,117
Past service cost	34	205
Interest cost	32,160	36,235
Benefits paid (including expenses)	(40,521)	(28,927)
Change due to settlements	-	-
Changes due to curtailment	(17)	-
Experience (gain)/loss on defined benefit obligation	(18,200)	(9,969)
Changes to demographic assumptions	-	(3,909)
Changes to financial assumptions	(54,234)	147,406
<b>Defined Benefit Obligation at the end of the period (excluding AVCs and money purchase deferred members)</b>	<b>886,937</b>	<b>965,966</b>
Money purchase (deferred members only)	-	5,673
AVC investments	10,930	10,878
<b>Defined Benefit Obligation at the end of the period (including AVCs and money purchase deferred members)</b>	<b>897,867</b>	<b>982,517</b>

#### The major categories of assets as a percentage of total assets are as follows:

31 March 2016

UK Equities	1.3%
Overseas Equities	19.9%
Bonds (absolute return bonds)	13.3%
Property	7.2%
LDI	32.1%
Hedge Funds	12.6%
Direct lending	9.4%
Cash	0.5%
Insurance policies	2.0%
AVC investments	1.7%
<b>Total</b>	<b>100%</b>

The assets do not include any investment in shares of the Company.

## 23. Retirement benefit schemes (continued)

<b>Actuarial assumptions</b>	<b>31 March 2016</b>	<b>31 March 2015</b>
Discount rate	3.70% pa	3.40% pa
Inflation assumption (RPI)	3.10% pa	3.10% pa
Inflation assumption (CPI)	2.30% pa	2.30% pa
Discretionary pension increases		
Pre 1 April 1997 (excess over GMP)		
Based on CPI	2.30% pa	2.30% pa
Pension increases		
1 April 1997 – 1 April 2005		
LPI based on CPI	2.30% pa	2.30% pa
Pension increases		
1 April 2005 onward		
LPI based on RPI	3.00% pa	3.00% pa
Revaluation in deferment	2.30% pa	2.30% pa
Salary Increases	2.30% pa	2.30% pa
	DPEC-specific table based on DPEC experience between 2007 and 2012 with allowance for improvements in life expectancy in line with the CMI_2013 projections subject to a long-term rate of improvement of 1.5% pa	
Post retirement mortality assumption		
Early retirement	All members are assumed to retire at 63	
Tax free cash	No allowance has been made for members to take tax free cash	
Net current assets	No allowance	

Under the adopted mortality tables, the approximate average (across membership categories) future life expectancy at age 65 is as follows:

<b>Life expectancy at age 65</b>	<b>31 March 2016</b>	<b>31 March 2015</b>
Male currently aged 45	22.6	22.5
Female currently aged 45	25.5	25.4
Male currently aged 65	19.7	19.6
Female currently aged 65	22.6	22.5

## 23. Retirement benefit schemes (continued)

### Sensitivity of the value placed on the liabilities

	Approximate effect on liabilities
Adjustments to assumptions	£'000
Discount rate	
Plus 0.50% pa	(79,798)
Minus 0.50% pa	91,933
Inflation	
Plus 0.50% pa	82,971
Minus 0.50% pa	(72,414)
Mortality	
Decrease mortality rates by a factor of 10%	28,909
Increase mortality rates by a factor of 10%	(25,675)

Note that the above sensitivities are approximate and only show the likely effect of an assumption being adjusted whilst all other assumptions remain the same.

The sensitivity analysis shown above was determined using the same method as per the calculation of liabilities for the balance sheet disclosures, but using assumptions adjusted as detailed above.

#### Risk mitigation strategies

The Trustee, in conjunction with the Company, is in the process of reviewing the investment strategy of the Scheme. This process will entail reviewing the liability profile of the Scheme and the Scheme's investments. The Trustee has previously undertaken such a review which has resulted in the investment managers being instructed as to the permissible ranges for asset allocations as set out in the Scheme's current Statement of Investment Principles. The Scheme has no other asset-liability strategies in place.

#### Effect of the Scheme on Company's future cash flows

The Secretary of State took over as principal employer for the Scheme with effect from 1 April 2016. As a result, no further contributions are therefore expected from the Company.

The weighted average duration of the defined benefit obligation is approximately 20 years.

## 24. Related parties

Transactions with related parties during the current or prior year are set out below. These were made on terms equivalent to those that prevail in arm's length transactions.

### Transactions with the Department for Work and Pensions (DWP)

Please refer to note 5 for details of the relationship with DWP. Other than the Grant-in-Aid disclosed in note 5, the Company has the following transactions with DWP:

	2016	2015
	£'000	£'000
Revenue	-	1,262

Other than accrued income related to Grant-in-Aid, the Company has the following balance with DWP:

	2016	2015
	£'000	£'000
Amount owed by DWP	-	163

### Investment in Subsidiary

A subsidiary company, Remploy (2015) Ltd, was created on 24 February 2015 for the future hive down of assets and liabilities. At the 31 March 2015, the Company owned 100% of the issued share capital of 10,000 shares with a nominal value of £0.01 each. As this amount is immaterial it is not recorded on the Statement of financial position as at 31 March 2015. On 6 April 2015 a further 4,000 shares with a nominal value of £0.01 were issued. The Company owned 100% of the 14,000 shares in Remploy 2015 and sold them on 7 April 2015.

### Remuneration of key management personnel

The remuneration of the key management personnel (excluding Directors) of the Company is set out below in aggregate for each one of the categories specified in IAS 24 Related Parties' Disclosures.

	2016	2015
	£'000	£'000
Short-term employee benefits	-	208
Post-retirement benefits	-	48
Total Benefits	-	256

## 25. Contingent liabilities

In the normal course of business, the Company receives employment tribunal claims from employees. A number of claims have been made, but at this stage the Company is unable to assess the potential value of these claims, or likelihood of success in defending them. A provision has been made at the Statement of financial position date for the potential legal costs of defending these claims.

## 26. Post Statement of financial position events

On 1 April 2016, DWP became the principal employer of the Pension scheme assuming all liabilities via a deed of substitution.



## 27. Sale of Employment Services business

The sale of the Employment Services business was completed on 7 April 2015 (the "Transaction").

Just before the Transaction completed, certain trade assets and liabilities comprising Employment Services were hived down from DPEC to Remploy (2015) Limited ("Remploy 2015"), a wholly owned subsidiary.

On 7 April 2015, Remploy 2015 was sold to MAXIMUS Companies Limited ("MAXIMUS"), a wholly owned subsidiary of MAXIMUS Inc.

Assets and liabilities hived down to Remploy 2015 and subsequently sold to MAXIMUS comprise:

	<b>£'000</b>
Trade and other receivables	2,554
Cash and cash equivalents	4,876
Total Assets	<u>7,430</u>
Trade and other payables	(7,430)
<u>Net assets/(liabilities)</u>	<u>-</u>

In the Transaction the Company sold 100% of its shares in Remploy 2015 to MAXIMUS (cost £140) for £2 million, resulting in a gain on sale of investment of £2 million.