A4e Limited

Annual report and financial statements

Year ended 31 December 2018

Company number 02631340

Registered in England and Wales

A4e Limited
Company details
For the year ended 31 December 2018

Company registration number:	02631340
Registered office:	19-20 The Triangle NG2 Business Park Nottingham NG2 1AE
Directors:	C Pullen M Watts
Company Secretary:	P S Collins
Bankers:	Bank of Scotland 15 Queen Street Nottingham NG1 2BL
Independent Auditors:	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 19 Cornwall Street Birmingham B3 2DT

A4e Limited

Annual report and financial statements

For the year ended 31 December 2018

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Strategic Report
For the year ended 31 December 2018

The Directors present their strategic report on the company for the year ended 31 December 2018.

Principal activities and future developments

During the 2016 financial year the majority of the Company's contracts were novated to a fellow group undertaking, PeoplePlus Group Limited. The 2018 financial statements report the performance of the remaining company contracts which could not be novated to PeoplePlus Group Limited. This is expected to be the same in the coming financial year.

The principal activity of the business is employment and training with the company acting as a Prime Provider of the UK Government's Work Programme in two geographical areas in the UK. These are the only contracts A4e Limited were actively involved in the delivery of during 2018.

Results and dividends

The two Work Programme Contracts are now both entering the wind down phase with no new referrals to the programme in 2018. As a result turnover decreased by £4.3m (38%) although due to strong cost control a profit before tax of £3.3m (2017: profit of £6.3m) was reported.

The Directors are unable to recommend the payment of any dividends for the year ended 31 December 2018 (year ended December 2017: £nil).

Review of business

Our focus remains on delivering high quality performance on both Work Programme contracts as they are in the wind down phase and also ensuring that our cost base in in line with the delivery requirement.

Key performance indicators ("KPIs")

Given the straightforward nature of the business, the directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the company.

Managing and mitigating risk

The company continues to manage and mitigate risk at both a strategic level, which impact on our corporate and strategic objectives, and within the operational activities of the business, through governance and controls.

Our delivery of the Work Programme continues to require strong controls and high quality management information which we have delivered via significant investment in IT systems.

A4e Limited
Strategic Report (continued)
For the year ended 31 December 2018

Principal risks and uncertainties

As the Work Programme enters its wind down phase, with delivery on the contracts to cease in 2020, the company needs to ensure that it still offers an excellent service to its customers (Department For Work & Pensions and clients on the Work Programme) whilst ensuring the company's overheads are aligned to the reducing volume of clients the company is servicing.

We continue to place great importance on internal control and risk management, which is promoted and encouraged throughout the company. We have a robust risk management process, which is designed to identify, manage and mitigate risk.

This section highlights the principal risks and uncertainties that affect the company, but is not an exhaustive list of all risks.

- External factors

The economic environment continues to be a cause for concern for our Welfare business, especially with regard to the nature and availability of job vacancies. To mitigate this risk the company continues to develop strong and productive relationships with employers in the UK.

The increasing use of 'Payment by results' as a funding mechanism by governments places a greater working capital requirement on the company. In response, we have developed and established ways of working that deliver sustainable outcomes for all our customers and drive revenue for the company.

- Internal factors

The delivery of good quality customer service is central to our strategy. The successful implementation of our new customer management and secure information management systems is pivotal to driving market leading customer service.

Our code of conduct applies to all employees and partners and is utilised to mitigate the risk of non-compliance. Failure to follow these principles could harm our reputation, damage our brand and affect our operational performance and financial position. A combination of awareness training and focused controls, particularly relating to fraud, is in place to ensure and check compliance with these principles.

On behalf of the Board

M Watts
Director
26 September 2019

A4e Limited
Report of the directors
For the year ended 31 December 2018

The Directors present their annual report and the audited financial statements of the company for the year ended 31 December 2018. The company is a limited company incorporated and domiciled in the United Kingdom.

Going concern

As the company is a cross guarantor of the c£90m of debt held by Staffline Group plc (the "Group"), its ability to continue to operate as a going concern is predicated on the ability of the Group to operate within the facility agreement and to adhere to the financial covenants attached to the debt. In preparing their assessment of the ability of the Group to operate as a going concern, the directors of the Group have assessed the Groups future forecasted profits and cash flows against committed facilities and calculated future forecast covenant compliance up until 31 December 2020. In making this assessment the Directors have applied reasonable downside sensitivities, including reductions to expected cash flows and profits, increases to material claims and increases in working capital. This assessment has shown that the Group will still be able to operate as a going concern should the reasonable sensitivities become reality.

In addition, as the company has net liabilities and is reliant upon fellow members of the Staffline Group for financial support. The directors have received written confirmation from Staffline Group plc that this support will be made available for the foreseeable future.

Results and dividends

The results of the company and future developments are disclosed in the Strategic Report. The Directors are unable to recommend the payment of any dividends for the year ended 31 December 2018 (year ended 31 December 2017: £nil).

Future developments

The company will continue to operate the existing Work Programme contracts until they expire but are not actively seeking to win new contracts.

Directors

The Directors who held office during the year and up to the date of signing the financial statements (unless otherwise stated) are given below:

C M Pullen
M R Watts

Qualifying third party indemnity provisions

A qualifying third party indemnity provision as defined in Section 232(2) of the Companies Act 2006 is in force at the date of approval of the financial statements (and for the financial year ended 31 December 2018) for the benefit of each of the Directors and the Company Secretary in respect of liabilities incurred as a result of their office, to the extent permitted by law. In respect of those liabilities for which Directors may not be indemnified, the company maintained a directors and officers' liability insurance policy throughout the financial year.

Financial risk management

The company's financial risk management objectives and policies are described in note 2 to the financial statements.

Equality, diversity and engagement

At A4e we are committed to being a fair and responsible employer. Putting our staff first has been one of the cornerstones of our strategy for more than 20 years, and as a Board we are committed to developing policies and procedures to ensure A4e Limited offers an excellent work environment for all its employees. We are also committed to training at all levels, to ensure that staff development is maintained alongside the core requirements we have under our contracts with regards to performance, quality and compliance.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors 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.

Statement of disclosure of information to auditors

In the case of each director in office at the date the Report of the Directors' is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the Board

M Watts
Director
26 September 2019

Independent auditors' report to the members of A4e Limited

Report on the audit of the financial statements

Opinion

In our opinion, A4E Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Statement of financial position as at 31 December 2018; the Income statement, the Statement of comprehensive income, the Statement of changes in equity for the year then ended; and the Notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Report of the directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Report of the directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the directors for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the directors.

Independent auditors' report to the members of A4e Limited (continued)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

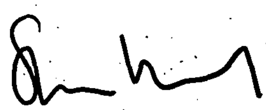
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Steven Kentish (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
26 September 2019

A4e Limited
Income statement
For the year ended 31 December 2018

	Note	For the year ended 31 Dec 2018 £'000	For the year ended 31 Dec 2017 £'000
Revenue	1	**6,812**	11,076
Cost of sales		**(2,197)**	(4,553)
Gross Profit		**4,615**	6,523
Administrative expenses		**(1,373)**	(2,366)
Exceptional operating income	3	**-**	2,115
Total operating expenses		**(1,373)**	(251)
Operating profit	3	**3,242**	6,272
Finance income	7	**28**	32
Profit before income tax		**3,270**	6,304
Income tax expense	8	**(674)**	(720)
Profit for the financial year		**2,596**	5,584

All items dealt with in arriving at operating result above relate to continuing operations.
The notes on pages 10 to 28 are an integral part of these financial statements.

Statement of comprehensive income
For the year ended 31 December 2018

	Note	For the year ended 31 Dec 2018 £'000	For the year ended 31 Dec 2017 £'000
Profit for the financial year		**2,596**	5,584
Other comprehensive (expense)/income:			
Actuarial (losses)/gain on post-employment benefit assets	10	**(260)**	140
Movement on deferred tax in relation to actuarial (losses) / gains	14	**59**	40
Other comprehensive (expense)/income for the year		**(201)**	180
Total comprehensive income for the year		**2,395**	5,764

The notes on pages 10 to 28 are an integral part of these financial statements.

A4e Limited
Statement of financial position
As at 31 December 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Investments	9	**5**	5
Retirement benefit assets	10	**863**	1,210
		868	1,215
Current assets			
Trade and other receivables	11	**11,559**	8,008
Cash and cash equivalents	12	**17**	18
		11,576	8,026
Creditors – amounts falling due within one year			
Trade and other payables	13	**(16,882)**	(16,015)
Net current liabilities		**(5,306)**	(7,989)
Total assets less current liabilities		**(4,438)**	(6,774)
Provisions for liabilities	14	**(147)**	(206)
Net liabilities		**(4,585)**	(6,980)
Equity			
Share capital	15	**1,058**	1,058
Profit and loss account		**(5,643)**	(8,038)
Total shareholders' deficit		**(4,585)**	(6,980)

The notes on pages 10 to 28 are an integral part of these financial statements.

The financial statements on pages 7 to 28 were authorised for issue by the Board of Directors on 26 September 2019 and were signed on its behalf by:

M Watts
Director

A4e Limited
Statement of changes in equity
For the year ended 31 December 2018

	Note	Share capital	Profit and loss account	Total shareholders' deficit
		£'000	£'000	£'000
Balance at 1 January 2017		**1,058**	**(13,802)**	**(12,744)**
Profit for the financial year		-	5,584	5,584
Other comprehensive income:				
Actuarial gain on post-employment benefit assets	10	-	140	140
Deferred tax in relation to actuarial gain	14	-	40	40
Total comprehensive income		**-**	**-**	**5,764**
Balance at 31 December 2017		**1,058**	**(8,038)**	**(6,980)**
Profit for the financial year		-	2,596	2,596
Other comprehensive income/(expense):				
Actuarial loss on post-employment benefit assets	10	-	(260)	(260)
Deferred tax in relation to actuarial profit	14	-	59	59
Total comprehensive income		**-**	**2,395**	**2,395**
Balance at 31 December 2018		**1,058**	**(5,643)**	**(4,585)**

The notes on pages 10 to 28 are an integral part of these financial statements.

1 Significant accounting policies

1.1 General Information

The principal activity of A4e Limited ("the company") is detailed in the Strategic report. The company is a private company and is incorporated and domiciled in the UK. The address of its registered office is 19-20 The Triangle, NG2 Business Park, Nottingham, NG2 1AE. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all years presented, unless otherwise stated.

1.2 Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ('FRS 101'). The financial statements have been prepared under the historical cost convention, except for the revaluation of certain property, and in accordance with the Companies Act 2006.

The financial statements are presented in £GBP and rounded to the nearest £1,000 unless otherwise stated.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1.18.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined);
- IFRS 7, 'Financial Instruments: Disclosures';
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
- paragraph 79(a)(iv) of IAS 1;
- paragraph 73(e) of IAS 16 Property, plant and equipment;
- paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)

1 Significant accounting policies (continued)

1.2 Basis of preparation (continued)

- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d), (statement of cash flows)
  - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
  - 16 (statement of compliance with all IFRS),
  - 38A (requirement for minimum of two primary statements, including cash flow statements),
  - 38B-D (additional comparative information),
  - 40A-D (requirements for a third statement of financial position
  - 111 (cash flow statement information), and
  - 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows';
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation); and
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

1.3 Going concern

As the company is a cross guarantor of the c£90m of debt held by Staffline Group plc (the "Group"), its ability to continue to operate as a going concern is predicated on the ability of the Group to operate within the facility agreement and to adhere to the financial covenants attached to the debt. In preparing their assessment of the ability of the Group to operate as a going concern, the directors of the Group have assessed the Groups future forecasted profits and cash flows against committed facilities and calculated future forecast covenant compliance up until 31 December 2021. In making this assessment the Directors have applied reasonable downside sensitivities, including reductions to expected cash flows and profits, increases to material claims and increases in working capital. This assessment has shown that the Group will still be able to operate as a going concern should the reasonable sensitivities become reality.

In addition, as the company has net liabilities and is reliant upon fellow members of the Staffline Group for financial support. The directors have received written confirmation from Staffline Group plc that this support will be made available for the foreseeable future.

1.4 Consolidation of Subsidiaries

The company is itself a subsidiary company and is exempt from the requirement to produce consolidated financial statements by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

1 Significant accounting policies (continued)

1.5 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

1.6 Financial assets

1.6.1 Classification

The company has one classification of financial assets: loans and receivables. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet.

1.6.2 Recognition and measurement

Loans and receivables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method less provision for impairment.

1.6.3 Impairment of financial assets

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows using an Expected Credit Loss model as required under IFRS 9.

There was no impact upon the adoption of IFRS 9.

1 Significant accounting policies (continued)

1.7 Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

1.8 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

1.9 Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

1.10 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

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

1.11 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the company and it is probable that the temporary difference will not reverse in the foreseeable future.

1 Significant accounting policies (continued)

1.12 Employee benefits

Pension obligations

The company contributes to a number of pension arrangements. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The company has both defined contribution and defined benefit plans. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

For defined contribution plans, the company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as employer benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The asset recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefits obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms to maturity approximating to the terms of the related pension obligations.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

1 Significant accounting policies (continued)

1.13 Provisions

Provisions for remedial contract provisions, vacant property obligations and restructuring costs are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Restructuring provisions comprise employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

1.14 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the company's activities. Revenue is shown net of value-added tax, rebates and discounts.

The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the company's activities. In general, revenue is recognised in accordance with the terms of the underlying contract.

Advance payments received prior to full service commencement on the achievement of agreed contract delivery milestones are recognised as revenue when earned and treated as deferred income.

If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in income in the period in which the circumstances that give rise to the revision become known by management.

During the year the company adopted IFRS 15. No changes to the revenue recognition policy were required as the existing policy was in-line with the requirements of IFRS 15.

Revenue is generated wholly in the UK and relates to the provision of services.

1.15 Exceptional operating expenses and income

Exceptional operating expenses are material items which fall outside the ordinary activities of the company and which need to be disclosed by virtue of their size or incidence. Such items are included within operating profit unless they represent profit or loss on the sale or termination of an operation, cost of a fundamental reorganisation or restructuring having a material effect on the nature and focus of the company's operations; profit or loss on the disposal of fixed assets, or provisions in respect of such items. In these cases separate disclosure is provided on the face of the income statement after operating profit.

1 Significant accounting policies (continued)

1.16 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

1.17 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the period in which the dividend is approved by the company's shareholders.

1.18 Critical accounting estimates and assumptions

The preparation of the company's financial statements in accordance with FRS 101 requires decisions and estimates for some items, which might have an effect on their recognition and measurement in the balance sheet and income statement. The actual amounts realised may differ from these estimates..

Estimates are required for the measurement of current corporation tax and the recognition of deferred tax assets, however, in the opinion of the Directors there is no significant risk of these estimates resulting in a material adjustment to the carrying amount of assets and liabilities in the next financial year.

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of retirement benefit obligations. The net pension asset at 31 December 2018 was £863,000 (31 Dec 2017: £1,210,000). See note 10 for additional information.

2 Financial risk management

Financial risk factors

The company's activities expose it to a variety of financial risks: namely market risk and credit risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

Risk management is carried out by Group Finance under policies approved by the Board of Directors. Group Finance identifies and evaluates financial risks and provides written principles. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and investment of excess liquidity.

(a) Market risk

Revenue that is recognised in the income statement is primarily generated from job outcome fees and sustained employment fees on the Work Programme contract. No 'work in progress' is calculated on any contracts with revenue recognition only based on a factual event. As such the company is not considered to be exposed to any risk variables that may subsequently impact on the value of the revenue recognised in the year ended 31 December 2018.

The organisation does not trade across borders and as such is not exposed to foreign currency for such matters (see also capital risk management section below).

(b) Credit risk

Cash

UK cash reserves are held in UK interest bearing accounts of varying levels and accessibility. Overseas subsidiaries only hold cash with the bank that deals with their day to day banking requirements. No exposure to credit risk is considered to be applicable to any of these balances as at the financial year end.

3 Expenses by nature

	For the year ended 31 Dec 2018 £'000	For the year ended 31 Dec 2017 £'000
Operating lease charges	**421**	503
Employee benefit expense (note 6)	**1,566**	2,366
Exceptional operating income (note 4)	**-**	(2,115)
Management recharge from fellow group undertaking	**209**	709
Other expenses (principally sub-contractor and property related)	**1,067**	3,203
Total expenses	**3,263**	4,666

4 Exceptional operating income

	For the year ended 31 Dec 2018 £'000	For the year ended 31 Dec 2017 £'000
Dividends received from A4e Wales	**-**	2,115
Total exceptional operating income	**-**	2,115

Dividends received from A4e Wales prior to company's proposed liquidation to immediate parent A4e Limited settled via inter-company account with the two companies (thus reducing the inter-company debtor balance to £100).

5 Auditors' remuneration

	For the year ended 31 Dec 2018 £'000	For the year ended 31 Dec 2017
Fees payable to the company's auditors for the audit of the parent company	**-**	15

Audit fees for the statutory audit of £15,000 (2017; £nil) were paid for by a fellow subsidiary of the company and not recharged.

6 Employee benefit expense

	For the year ended 31 Dec 2018 £'000	For the year ended 31 Dec 2017 £'000
Wages and salaries including restructuring costs and other termination benefits	1,170	1,853
Social security costs	75	163
Pension costs – defined contribution plans	16	24
Pension costs – defined benefit plans (note 10)	305	326
	1,566	2,366

Employee benefit expenses were incurred by another group company and recharged. Excluding directors, the Company had no employees in either the current or preceding financial year. The directors of the company are remunerated through other companies within the Staffline Group in relation to their services to the group as a whole and no direct recharge specifically for these costs has been made in the current year.

7 Finance income

	For the year ended 31 Dec 2018 £'000	For the year ended 31 Dec 2017 £'000
Net interest on defined benefit pension asset (note 10)	**28**	32
Finance income	**28**	32

8 Income tax expense

	For the year ended 31 Dec 2018 £'000	For the year ended 31 Dec 2017 £'000
Current tax:		
Current tax for the year	**674**	827
Adjustments in respect of prior years	-	(107)
Total current tax	**674**	720
Deferred tax:		
Origination and reversal of temporary differences	-	-
Total deferred tax	-	-
Income tax expense	**674**	720

8 Income tax expense (continued)

Tax on the company's profit before tax differs from (2017: differs from) the theoretical amount that would arise using the standard tax rate applicable in the UK to profits as follows:

	For the year ended 31 Dec 2018 £'000	For the year ended 31 Dec 2017 £'000
Profit before income tax	**3,270**	6,304
Tax calculated at the standard rate of corporation tax in the UK of 19.0% (year ended 31 December 2017: 19.25%)	621	1,214
Tax effects of:		
Expenses not deductible for tax purposes	53	26
Inter-company dividends not taxable	-	(407)
Utilised losses	-	(6)
Adjustments in respect of prior years	-	(107)
Income tax expense	674	720

Factors affecting future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

9 Investments

	2018 £'000	2017 £'000
Shares in group undertakings at 1 January 2018 and 31 December 2018	5	5

9 Investments (continued)

At 31 December 2018, the company held the equity of the following subsidiary undertakings:

Subsidiary	Registered Office	Proportion of Ordinary share capital held	Country of Incorporation	Nature of business
A4e Deutschland GmbH	Weberstrasse 65, 45879 Gelsenkirchen	Ordinary shares of €1 each (100% held)	(Germany)	Dormant
A4e Israel	11 Kiryat Street, Har Hotzvim, Jerusalem, 91450	Ordinary shares of ILS1 each (100% held)	(Israel)	Dormant
Amin (A4e – Aman) Limited	34 Habarzel Street, Ramat Hahayal, Tel Aviv, 69710	Ordinary shares of ILS1 each (70% held)	(Israel)	Dormant

10 Retirement benefit assets

The company operates both a defined contribution stakeholder pension scheme and a defined benefit pension scheme for its staff.

The total pension cost for the company was £295,000 (2017: £318,000) of which £277,000 (2017: £294,000) relates to the defined benefit scheme. The pension cost relating to the defined benefit scheme is assessed in accordance with the advice of an independent qualified actuary using the Projected Unit method.

In respect of the defined contribution scheme, an amount of £nil (2017: £nil) is included in accruals in respect of contributions payable at 31 December 2018.

	2018 **£'000**	2017 £'000
Balance sheet asset for:		
Pension benefits	**863**	1,210
Amounts recognised in the income statement:		
Pension costs	**277**	294
Amounts recognised in the statement of comprehensive income:		
Actuarial (losses)/gains recognised in the statement of other comprehensive income in the year	**(260)**	140
Cumulative actuarial losses recognised in the statement of other comprehensive income	**(1,311)**	(1,051)

The amounts recognised in the balance sheet are determined as follows:

	2018 **£'000**	2017 £'000
Present value of funded obligations	**(8,344)**	(8,373)
Fair value of plan assets	**9,207**	9,583
Asset in the balance sheet	**863**	1,210

10 Retirement benefit assets (continued)

The movement in the defined benefit obligation over the year is as follows:

	2018 £'000	2017 £'000
At 1 January	**8,373**	7,812
Current service cost (including member contributions)	**305**	326
Interest cost	**211**	230
Actuarial (gains) / losses	**(359)**	59
Benefits paid	**(186)**	(54)
At 31 December	**8,344**	8,373

The movement in the fair value of plan assets of the year is as follows:

	2018 £'000	2017 £'000
At 1 January	**9,583**	8,970
Expected return on plan assets	**239**	262
Actuarial (losses)/gains	**(619)**	199
Employer contributions	**192**	180
Employee contributions	**37**	57
Benefits paid	**(186)**	(54)
Expenses paid by scheme	**(39)**	(31)
At 31 December	**9,207**	9,583

Plan assets are comprised as follows:

	2018 £'000	2017 £'000
Cash (2018: 1% of total)	**100**	149
Bonds (2018: 71% of total)	**6,572**	5,657
Equities (2018: 28% of total)	**2,535**	3,777
	9,207	9,583

It is estimated that Scheme contributions will be approximately £50,000 excluding employees' contributions for the year ending 31 December 2019.

10 Retirement benefit assets (continued)

The amounts recognised in the income statement are as follows:

	2018 £'000	2017 £'000
Current service cost	**305**	326
Financial income (note 7)	**(28)**	(32)
Total cost recognised in the income statement	**277**	294

The actual return on plan assets was £(380,000) (2017: £699,000).

Principal actuarial assumptions

The assets of the defined benefit pension scheme are valued at market value and the liabilities have been calculated using the following principal actuarial assumptions:

	2018	2017
Inflation rate (RPI)	**3.2%**	3.1%
Salary increase	**3.2%**	3.1%
Discount rate	**2.8%**	2.5%
Future pension increases for leavers	**3.2%**	3.1%

Members are assumed to retire at the earliest age where there would be no reduction. It is also assumed that members commute 75% of the maximum HMRC allowance based on current commutation factors. There are £nil (2017: £nil) contributions unpaid at the year-end.

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience. Mortality assumptions are based on the following mortality tables:

- Pre-retirement mortality: 100% of SAPS "S2" Normal tables
- Post-retirement mortality: 100% of SAPS "S2" Normal tables

Future improvements in longevity are as based on the following:

- Pre-retirement mortality: CMI 2016 projections with a long term trend of 0.0% per annum
- Post-retirement mortality: CMI 2016 projections with a long term trend of 1.25% per annum

The mortality assumptions used were as follows, being average expected future life at age 60 for a:	2018 years	2017 years
Male currently aged 60	**26.5**	26.6
Female currently aged 60	**28.6**	28.7
Male currently aged 40	**27.9**	28.1
Female currently aged 40	**30.2**	30.2

10 Retirement benefit assets (continued)

Amounts for current year and previous four periods	2018 £'000	2017 £'000	2016 £'000	31 Dec 2015 £'000	31 Mar 2015 £'000
Defined benefit obligation	**(8,344)**	(8,373)	(7,812)	(5,878)	(6,835)
Plan asset	**9,207**	9,583	8,970	8,315	7,768
Surplus	**863**	1,210	1,158	2,437	933
Experience (loss)/gain on scheme assets	**(619)**	199	322	(346)	332
Experience gain/(loss) on scheme liabilities	**17**	110	12	598	(1,039)

11 Trade and other receivables

	2018 £'000	2017 £'000
Current		
Amounts due from group undertakings	**11,559**	8,008
Total trade and other receivables	**11,559**	8,008

The fair values of trade and other receivables are equivalent to the carrying amounts.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. Neither the group nor the company hold collateral as security.

Amounts due from group undertakings are unsecured, interest free and repayable on demand.

12 Cash and cash equivalents

	2018 £'000	2017 £'000
Cash at bank and in hand	**17**	18
Cash and cash equivalents	**17**	18

13 Trade and other payables

	2018 £'000	2017 £'000
Current		
Amounts due to group undertakings	**15,189**	15,188
Accrued expenses	**192**	-
Current income tax liability	**1,501**	827
Total current trade and other payables	**16,882**	16,015

Amounts due to group undertakings are interest free, unsecured, have no fixed repayment date and are repayable on demand.

14 Provisions for other liabilities and charges

	Deferred taxation £'000	Total £'000
At 1 January 2018 – non current liability	206	206
Tax credit relating to components of other comprehensive income	(59)	(59)
At 31 December 2018 - non current liability	**147**	**147**

The liability represents the defined benefit pension scheme surplus of £863,000 (2017: £1,210,000) at a rate of 17% (2017: 17%).

Deferred tax liabilities	Accelerated capital allowances £'000	Other £'000	Retirement benefit assets £'000	Total £'000
At 1 January 2017	-	-	246	246
Credited to other comprehensive income	-	-	(40)	(40)
At 31 December 2017	-	-	**206**	**206**
Credited to other comprehensive income	-	-	(59)	(59)
At 31 December 2018	-	-	**147**	**147**

A4e Limited
Notes to the financial statements (continued)
For the year ended 31 December 2018

15 Share capital

	2018 £'000	2017 £'000
Authorised, allotted, called up and paid share capital		
21,154,620 (2017: 21,154,620) ordinary shares of £0.05 each	**1,058**	1,058

16 Operating lease commitments

The company leases various property and equipment under non-cancellable operating lease agreements. The lease terms are between 12 months and 4 years and the majority of the lease agreements are renewable at the end of the lease period at market rates. The costs of these leases will be met by PeoplePlus Group Limited following the transfer of the business during a prior year. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Land and buildings	
	2018 **£'000**	2017 £'000
No later than one year	**271**	291
Later than one year and no later than five years	**228**	308
	499	599

17 Contingent liabilities and contingencies

A cross guarantee exists between all subsidiaries of Staffline Group plc for all amounts payable within the group to Lloyds Banking Group and HSBC Bank. The Group amounts owing to Lloyds Banking Group and HSBC Bank at the financial year-end are £63.8m (2017: £16.8m).

The company is a member of the VAT group of PeoplePlus Group Limited. Under the Value Added Tax Act 1983 Section 29(1), all members of a VAT group are jointly and severally liable for any tax due during the period of their membership. The amounts owing to H M Revenue & Customs from the VAT group at the 2018 financial year-end are £0.3m (2017: £1.4m), of which £nil (2017: £nil relates to the company's liability that is provided for at the financial year-end in these financial statements.

The company has no other contingent assets or liabilities or capital commitments at 31 December 2018 or 31 December 2017.

18 Related party disclosures

As a wholly owned subsidiary of Staffline Group plc, the company has taken advantage of the exemption contained in FRS 101 and has therefore not disclosed transactions or balances with wholly owned entities which form part of the group.

19 Ultimate parent undertaking and controlling party

The directors consider that the ultimate parent undertaking of this Company is Staffline Group plc, incorporated in the United Kingdom, the company's immediate parent undertaking.

The largest and smallest group in which the results of the company are incorporated is Staffline Group plc. The consolidated financial statements are available to the public from Companies House at www.companieshouse.gov.uk.