Company Registration Number 04182567

INSPIRA CUMBRIA LIMITED

FINANCIAL STATEMENTS

31 MARCH 2016

(A company limited by guarantee)

ArmstrongWatson®
Accountants & Financial Advisers

INSPIRA CUMBRIA LIMITED

(A company limited by guarantee)

COMPANY INFORMATION

Directors	Mr M Farley Mr M Bowman Mr D Clough (resigned 23 March 2016) Mr K Sutton Mr P Irving Mr S Lyon Dr M L Lawty-Jones Mr S Balmer Mr J M Graham Miss E Flowers (appointed 25 November 2015) Mr N Pattinson
Company secretary	Mr D Emerson
Registered number	04182567
Registered office	Gillan Way Penrith 40 Business Park Penrith Cumbria CA11 9BP
Independent auditors	Armstrong Watson Audit Limited Chartered Accountants & Statutory Auditors Fairview House Victoria Place Carlisle Cumbria CA1 1HP
Bankers	HSBC Plc PO Box 5 29 English Street Carlisle Cumbria CA3 8JT
Solicitors	Burnetts Solicitors 6 Victoria Place Carlisle Cumbria CA1 1ES

INSPIRA CUMBRIA LIMITED
(A company limited by guarantee)

CONTENTS

STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2016

Introduction

The directors present their strategic report for Inspira Cumbria Limited (the Company) for the year ended 31 March 2016.

Business review

REVIEW AND ANALYSIS OF THE BUSINESS DURING THE CURRENT YEAR

The Company continued its principal activities throughout the current year.

Key performance indicators

Management use a range of performance measures to monitor and manage the business. The performance measures are split into financial and non-financial key performance indicators and the Board and its sub committees scrutinise them on a bi-monthly basis.

Analysis using key performance indicators includes:

(i) Financial - Liquidity and Gearing ratios

The Company has rigorous cash flow management procedures in place to pay its debts over the next 12 month business cycle. Its target current ratio (ratio of current assets to current liabilities) is 1.5. Following the purchase of the head office premises in November 2014, a ratio of 1.3 has been sustained over the last two financial years.

(ii) Non financial – Staff turnover, contractual performance

With its growing number of diverse contracts, the Company continues to employ a range of highly trained and motivated staff. Against an average monthly employee count of 127 (2014/15 – 151), the Company has also funded sub-contract work that has employed some 350 staff throughout its sub-contractor network on a variety of contracts designed to meet the requirements of each area of work activity.

The Company has continued to perform favourably against its contractual targets with the following commissioning bodies: Cumbria County Council (Careers Information, Advice and Guidance), NCS Trust (National Citizen Service), Economic Solutions (National Careers Service) and the Department for Work and Pensions (Jobtrain).

All contract targets help the Company achieve its overall goal of empowering people to reach their potential in work, life and society.

Development and financial performance during the year

As reported in the Company's profit and loss account, turnover has shown a small decrease of 3.4% from £10,349,619 in 2014/15 to £9,999,607 for the year to 31st March 2016. The decrease in turnover is largely down to the decision by Cumbria County Council to take back in-house the youth work and reducing risk taking behaviour contract which led to a reduction of some £1.1million in funding. The Company was successful in winning new business with the Department for Work and Pensions. Coupled with increased funding for the National Citizen Service programme, the Company almost made good the effect of the local authority's decision not to award the youth work contract.

Overall employee expenditure expressed as a percentage of total Company expenditure was 36.6% in 2015/16 (2014/15 – 39.8%).

The balance sheet shows that the Company's net assets, including pension scheme liabilities, at the year end have improved. Following receipt of the actuarial valuation of the local government pension scheme, the Company has seen a decrease of £1,631,000 in the net liability to £1,100,000 on the defined benefit scheme. As in previous years, external factors can lead to significant adjustments on the pension scheme's assets and liabilities and the Board continues to monitor the position closely.

Outlook

A new area of work which the Company successfully bid to deliver was the Jobtrain programme which commenced in June 2015. Funded by the Department for Work and Pensions (DWP), this activity provided the Company with significant scope to capitalise on future funding opportunities. As a result of strong performance on the Jobtrain contract, the Company was successful in being awarded another contract with DWP. The Route Finder/Fast Lane contract started at the beginning of 2016 and the Company delivers provision within Cumbria and manages a network of subcontractors in Lancashire.

During 2015/16 the Company bid to the Skills Funding Agency (SFA) to deliver a programme of work which aims to deliver education and training services to support young people who are 15-24 who are not in education, employment or training (NEET) or at risk of becoming NEET in the Cumbria Local Enterprise Partnership (LEP) area. Work commenced in July 2016 and represented the first contract that was awarded to the Company by SFA.

With the success of the DWP and SFA contract awards, it is planned that future relationships with both commissioning bodies will develop further.

The Company has a developing relationship with the Government-backed Careers and Enterprise Company, resulting in a growing number of related contracts.
In respect of other contracts held by the Company, the emphasis on payment by results continues to be felt and the importance of achieving contractual targets is understood across the organisation and its subcontractor network.

Board attendance

During the year the Board and its Committees moved from meeting on a quarterly basis to having bi-monthly meetings. Attendance at the meetings was 74% attendance for the Board, 94% for the People and Performance Committee and 83% for the Finance and Growth Committee with overall attendance being 80%.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE BUSINESS

Management continually monitor the key risks facing the Company together with assessing the controls used for managing these risks. The board of directors formally reviews and documents the principal risks facing the business at least annually.

The Company engages auditors to undertake a programme of internal audit work which assesses the suitability and operation of key internal management processes to ensure that its systems and procedures are fit for purpose. The Board and its Committees receive regular reports which highlight key findings and make any recommendations required to improve the Company's internal management controls.

The principal risks and uncertainties facing the Company are as follows:

• Operational Risk Management (Client Activities) – all provision to clients, carried out within a safe environment is deemed by the Board to be the highest priority amongst all of the Company's operational activities. Significant work and constant monitoring of health and safety arrangements ensures all clients are safeguarded.

• Pensions (Local Government) – demographic factors and poor performance of investment markets leads to increased costs of pension scheme membership.

• Payment by Results – underperformance leads to reduced funding and reputational damage and the possible loss of main contracts to key competitors. Financial stability would be affected.

• Subcontractors/partners capacity and effectiveness – with significant proportions of Company operational and financial targets dependent on the ability of third parties to meet their targets, effective contract management arrangements are required.

• Recruitment and retention of staff – operational difficulties and the ability to achieve contractual targets would present significant difficulties for the Company.

• National political and economic environment – the outcome from national elections and referendums could have an effect on the programmes the Company delivers and the associated funding.

Transition to FRS 102

FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland represents the most significant change to UK GAAP in a generation. In one fell swoop FRS 102 has replaced almost all extant FRSs, SSAPs and UITF Abstracts with a single standard based on the IFRS for SMEs. Therefore FRS 102 has been applied to the financial statements of Inspira Cumbria Limited from 1 April 2015 and the comparative period has also been prepared under the same accounting standard.

The transition has had a material impact on the financial statements for the current and prior year and there have been two key changes in respect of this. These are the reclassification of freehold property and the defined benefit pension scheme.

Reclassification of freehold property

Under FRS 102, mixed use property must be separated between freehold property and investment property. As a result, the freehold property held by Inspira Cumbria Limited has been reviewed with 50% of the property still held as freehold property and 50% transferred to investment property in the year to 31 March 2015.

Only the freehold element of property has been depreciated in the financial statements in the current and prior year. The reclassification of the property has been necessary due to the first floor and 50% of car parking facilities being rented to a third party which falls within the parameters of investment property.

Defined benefit pension scheme
FRS 102 requires that net interest (determined by multiplying the net defined benefit liability by the discount rate used to calculate the defined benefit obligation) to be recognised in the profit or loss account. By contrast, old UK GAAP (FRS 17) recognised the expected return on scheme assets and the unwinding of the discount on scheme liabilities.

In the year to 31 March 2015, there has been a £323k negative adjustment to the profit resulting in a loss of £185.9k. This is due to interest costs being recognised in the profit and loss account while the loss recognised in other comprehensive income has decreased by the £323k. The accounts have prepared under the same basis in 2016 with interest costs being recognised in the profit and loss account.

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

M Bowman
....
Mr M Bowman
Director

Date: 21/10/16

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2016

The directors present their report and the financial statements for the year ended 31 March 2016.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' 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 have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company financial statements and then apply them consistently;
- make judgments 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. 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.

Results and dividends

The loss for the year, after taxation, amounted to £283,665 (2015 - loss £185,948).

Directors

The directors who served during the year were:

Mr M Farley
Mr M Bowman
Mr D Clough (resigned 23 March 2016)
Mr K Sutton
Mr P Irving
Mr S Lyon
Dr M L Lawty-Jones
Mr S Balmer
Mr J M Graham
Miss E Flowers (appointed 25 November 2015)
Mr N Pattinson

Corporate Governance

The company is committed to high standards of corporate governance. The board is responsible for good governance and this statement summarises how the relevant principles are applied to the company.

The board currently comprises the non-executive chairman, the chief executive and nine non-executive directors. They demonstrate a range of experience which is crucial to the successful direction of the company. All of the non-executives are independent of management.

All directors are equally accountable in law for the proper stewardship of the company's affairs. The non-executives have a particular responsibility to ensure that strategies proposed by the management team are fully discussed and critically appraised to ensure that they not only meet the companys objectives, but also take into account the interest of employees and the community in which the company operates.

To enable directors to meet their responsibilities the full board meets at least six times a year, all directors have full and timely access to all relevant information and there is frequent communication between meetings.

Internal controls

The Board is responsible for the company's system of internal control and for reviewing their effectiveness during the year. These systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable not absolute assurances against material misstatement or loss.

The key features of the control system which has been established include the following:

- The Finance and Growth Committee, made up of the chief executive and three non-executive directors, review the internal control system.
- The Board has identified strategic risks to the business and processes to manage these risks.
- Strict procedures are in place to control expenditure that can be incurred on behalf of the company by directors or staff.

Board Committees

The Board has two committees with the following membership.

The Finance and Growth Committee is made up of the chief executive and four non-executive directors as follows:

S Balmer (Chair)
M Bowman (Chief Executive)
P Irving
D Clough (resigned 23 March 2016)
S Lyon (appointed 25 November 2015)

In addition the chair of the board of directors, M Farley also attends the committee meetings.

The People and Performance Committee is made up of the chief executive and four non-executive directors as follows:

M Farley (Chair)
M Bowman (Chief Executive)
P Irving
D Clough (resigned 23 March 2016)
N Pattinson (appointed 25 November 2015)

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2016

Disclosure of information to auditors

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

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

Post balance sheet events

There have been no significant events affecting the Company since the year end.

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

M Bowman

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Mr M Bowman
Director

Date: 21/10/16

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INSPIRA CUMBRIA LIMITED

We have audited the financial statements of Inspira Cumbria Limited for the year ended 31 March 2016, set out on pages 10 to 33. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2006 and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 Auditors' 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 Auditors

As explained more fully in the Directors' responsibilities statement on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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 Financial Reporting Council'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 Strategic report and the Directors' 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 profit or loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 those financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INSPIRA CUMBRIA LIMITED (CONTINUED)

Matters on which we are required to report by exception

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

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

Alan Johnston (Senior statutory auditor)
for and on behalf of
Armstrong Watson Audit Limited
Chartered Accountants
Statutory Auditors
Carlisle
Date: 7.11.16

INSPIRA CUMBRIA LIMITED

(A company limited by guarantee)

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 £	2015 £
Turnover	4	**9,999,607**	10,349,619
Gross profit		**9,999,607**	10,349,619
Administrative expenses		**(10,178,967)**	(10,474,164)
Operating loss	5	**(179,360)**	(124,545)
Interest receivable and similar income	8	**5,297**	8,439
Interest payable and expenses	9	**(11,327)**	(3,910)
Other finance income		**(91,000)**	(62,000)
Loss before tax		**(276,390)**	(182,016)
Tax on loss	11	**(7,275)**	(3,932)
Loss for the year		**(283,665)**	(185,948)
Other comprehensive income for the year			
Actuarial losses on defined benefit pension scheme		**1,955,000**	(1,150,000)
Other comprehensive income for the year		**1,955,000**	(1,150,000)
Total comprehensive income for the year		**1,671,335**	(1,335,948)

INSPIRA CUMBRIA LIMITED

(A company limited by guarantee)
REGISTERED NUMBER: 04182567

BALANCE SHEET
AS AT 31 MARCH 2016

	Note	£	2016 £	£	2015 £
Fixed assets					
Tangible assets	12		**564,832**		616,756
Investment property	13		**350,000**		350,000
			914,832		966,756
Current assets					
Debtors: amounts falling due within one year	14	**1,686,931**		544,649	
Cash at bank and in hand	15	**619,954**		1,051,031	
		2,306,885		1,595,680	
Creditors: amounts falling due within one year	16	**(1,859,978)**		(1,220,384)	
Net current assets			**446,907**		375,296
Total assets less current liabilities			**1,361,739**		1,342,052
Creditors: amounts falling due after more than one year	17		**(341,135)**		(361,783)
Pension liability			**(1,100,000)**		(2,731,000)
Net assets			**(79,396)**		(1,750,731)
Capital and reserves					
Profit and loss account	20		**(79,396)**		(1,750,731)
			(79,396)		(1,750,731)

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 21/10/16.

M Bowman
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Mr M Bowman
Director

The notes on pages 15 to 33 form part of these financial statements.

INSPIRA CUMBRIA LIMITED
(A company limited by guarantee)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2016

	Profit and loss account	Total equity
	£	£
At 1 April 2015	(1,750,731)	(1,750,731)
Comprehensive income for the year		
Loss for the year	(283,665)	(283,665)
Actuarial gains on pension scheme	1,955,000	1,955,000
Other comprehensive income for the year	1,955,000	1,955,000
Total comprehensive income for the year	1,671,335	1,671,335
At 31 March 2016	(79,396)	(79,396)

INSPIRA CUMBRIA LIMITED

(A company limited by guarantee)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2015

	Profit and loss account	Total equity
	£	£
At 1 April 2014	(345,129)	(345,129)
Comprehensive income for the year		
Loss for the year	(185,948)	(185,948)
Actuarial losses on pension scheme	(1,150,000)	(1,150,000)
Mixed use property fair value adjustments	(69,654)	(69,654)
Other comprehensive income for the year	(1,219,654)	(1,219,654)
Total comprehensive income for the year	(1,405,602)	(1,405,602)
At 31 March 2015	(1,750,731)	(1,750,731)

The notes on pages 15 to 33 form part of these financial statements.

INSPIRA CUMBRIA LIMITED
(A company limited by guarantee)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2016

	2016 £	2015 £
Cash flows from operating activities		
Profit for the financial year	**(283,665)**	(185,948)
Adjustments for:		
Depreciation of tangible assets	**76,787**	106,566
Interest paid	**11,327**	3,910
Interest received	**(5,297)**	(8,439)
Taxation	**7,275**	3,932
(Increase) in debtors	**(1,142,277)**	(172,116)
Increase in creditors	**636,601**	213,938
Increase in net pension assets/liabs	**324,000**	(124,000)
Corporation tax	**(3,932)**	(1,821)
Net cash generated from operating activities	**(379,181)**	(163,978)
Cash flows from investing activities		
Purchase of tangible fixed assets	**(24,866)**	(882,266)
Interest received	**5,297**	8,439
Net cash from investing activities	**(19,569)**	(873,827)
Cash flows from financing activities		
New secured loans	**-**	383,134
Repayment of loans	**(21,000)**	-
Interest paid	**(11,327)**	(3,910)
Net cash used in financing activities	**(32,327)**	379,224
Cash and cash equivalents at beginning of year	**1,051,031**	1,386,612
Cash and cash equivalents at the end of year	**619,954**	728,031
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**619,954**	1,051,031
	619,954	1,051,031

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

1. General information

Inspira Cumbria Limited ('the Company') is a limited company incorporated in the United Kingdom. The address of its registered office and principal place of business is Unit 2 Gillan Way, Penrith 40 Business Park, Penrith, Cumbria, CA11 9BP.

The principal activity of the company during the period was advising and supporting young people and adults in Cumbria and neigbouring counties.

These financial statements have been presented in Pound Sterling as this is the currency of the primary economic environment in which the company operates.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 102 is given in note 25.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

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

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

2.3 Tangible fixed assets

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

2. Accounting policies (continued)

2.3 Tangible fixed assets (continued)

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

The estimated useful lives range as follows:

Freehold property	- 40 years
Leasehold improvements	- in line with the lease term
Computers	- 3 years
Equipment	- 3 years

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

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

2.4 Investment property

Investment property is carried at fair value determined by external valuers in 2014 and reviewed by the directors annually. The value is derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Profit and loss account.

2.5 Debtors

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

2.6 Cash and cash equivalents

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

2.7 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow

2. Accounting policies (continued)

2.7 Financial instruments (continued)

discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.
Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and loss account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.8 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.9 Finance costs

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

2.10 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

The Group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 April 2014 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2. Accounting policies (continued)

2.11 Pensions

Defined benefit pension plan

The Company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the balance sheet date less the fair value of plan assets at the balance sheet date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:
a) the increase in net pension benefit liability arising from employee service during the period; and
b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

2.12 Interest income

Interest income is recognised in the Profit and loss account using the effective interest method.

2.13 Borrowing costs

All borrowing costs are recognised in the Profit and loss account in the year in which they are incurred.

2. Accounting policies (continued)

2.14 Provisions for liabilities

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

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

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

2.15 Taxation

Tax is recognised in the Profit and loss account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

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

The preparation of these financial statements require management to make judgements, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses.

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are belived to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Establishing useful economic lives for depreciation purposes of property, plant and equipment
Long-lived assets, consiting primarily of property, plant and equipment, comprise a significant portion of the total fixed assets. The annual depreciation charge depends primarily on the estimated useful economic lives and change them as necessary to reflect current thinking on remaining lives in light of prospective economic utilisation and physical condition of assets concerned. Changes in asset useful lives can have a significant impact on depreciation charges for the period. Details of the depreciation policies based on estimated useful economic lives are included in accounting policies note 2.3.

4. Turnover

An analysis of turnover by class of business is as follows:

	2016 £	2015 £
Turnover in relation to provision of services	**9,999,607**	10,349,619
	9,999,607	10,349,619

All turnover arose within the United Kingdom.

5. Operating loss

The operating loss is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets	**76,786**	92,269
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	**6,600**	7,410
Other operating lease rentals	**161,930**	211,290
Defined benefit pension cost	**434,248**	418,622

Auditors' remuneration

	2016 £	2015 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	**6,600**	7,410
	6,600	7,410

6. Employees

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

	2016 £	2015 £
Wages and salaries	**2,867,508**	3,385,642
Social security costs	**193,478**	227,219
Cost of pension schemes	**667,248**	555,622
	3,728,234	4,168,483

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

	2016 No.	2015 *No.*
Management and administration	**127**	151

7. Directors' remuneration

	2016 £	2015 £
Directors' emoluments	**88,264**	88,264
	88,264	88,264

During the year retirement benefits were accruing to 1 director (2015 - 1) in respect of defined benefit pension schemes.

8. Interest receivable

	2016 £	2015 £
Other interest receivable	**5,297**	8,439
	5,297	8,439

9. Interest payable and similar charges

	2016 £	2015 £
Bank interest payable	**11,327**	3,910
	11,327	3,910

10. Other finance income/(costs)

	2016 £	2015 £
Net interest on net defined benefit liability	**(91,000)**	(62,000)
	(91,000)	(62,000)

11. Taxation

	2016 £	2015 £
Corporation tax		
Current tax on profits for the year	**7,275**	3,932
	7,275	3,932
Total current tax	**7,275**	3,932
Deferred tax		
Total deferred tax	**-**	-
Taxation on profit on ordinary activities	**7,275**	3,932

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2015 - the same as) the standard rate of corporation tax in the UK of 20% (2015 - 20%) as set out below:

	2016 £	2015 £
Profit on ordinary activities before tax	**(276,390)**	(182,016)
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20%)	**(55,278)**	(36,403)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**62,553**	(24,265)
Adjustment in respect of transition to FRS 102	**-**	64,600
Total tax charge for the year	**7,275**	3,932

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

12. Tangible fixed assets

	Freehold property	Leasehold Improv'ts	Computer	Equipment	Total
	£	£	£	£	£
Cost or valuation					
At 1 April 2015	**433,951**	**210,135**	**428,920**	**51,315**	**1,124,321**
Additions	**-**	**1,485**	**21,915**	**1,466**	**24,866**
At 31 March 2016	**433,951**	**211,620**	**450,835**	**52,781**	**1,149,187**
Depreciation					
At 1 April 2015	**14,297**	**111,956**	**335,040**	**46,273**	**507,566**
Charge owned for the period	**3,619**	**18,172**	**49,789**	**5,205**	**76,785**
At 31 March 2016	**17,916**	**130,128**	**384,829**	**51,478**	**584,351**
Net book value					
At 31 March 2016	**416,035**	**81,492**	**66,006**	**1,303**	**564,836**
At 31 March 2015	419,654	98,180	93,880	5,042	616,756

The net book value of land and building may be further analysed as follows:

	2016	2015
	£	£
Freehold	**416,035**	419,654
Long leasehold	**81,493**	98,180
	497,528	517,834

13. Investment property

	Freehold investment property £
Valuation	
At 1 April 2015	**350,000**
At 31 March 2016	**350,000**

The 2016 valuations were made by Hyde Harrington, on an open market value for existing use basis.

If the Investment properties had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

	2016 £	2015 £
Historic cost	**433,951**	433,951
Accumulated depreciation and impairments	**(17,916)**	(14,297)
	416,035	419,654

14. Debtors

	2016 £	2015 £
Trade debtors	**1,202,974**	237,762
Other debtors	**365,138**	184,184
Prepayments and accrued income	**118,819**	122,703
	1,686,931	544,649

15. Cash and cash equivalents

	2016 £	2015 £
Cash at bank and in hand	**619,954**	1,051,031
	619,954	1,051,031

16. Creditors: Amounts falling due within one year

	2016 £	2015 £
Bank loans	**21,000**	21,351
Trade creditors	**222,584**	-
Corporation tax	**7,275**	3,932
Taxation and social security	**225,741**	257,557
Other creditors	**37,416**	53,807
Accruals and deferred income	**1,345,962**	883,737
	1,859,978	1,220,384

Secured loans

The bank loan falling due within one year of £21,000 (2015 - £21,351) is secured by the following:

A fixed charge over all present freehold, leasehold and investment property. This comprises a fixed charge over book and other debts, chattels, goodwill and uncalled capital, both present and future and a floating charge over all assets and undertakings both present and future.

There is also a first legal charge over freehold property known as Unit 2, Gillan Way, Penrith 40 Business Park, Penrith, CA11 9BP.

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

	2016 £	2015 £
Bank loans	**341,135**	361,783
	341,135	361,783

Secured loans

The bank loan falling due after one year of £341,135 (2015 - £361,783) is secured by the following:

A fixed charge over all present freehold, leasehold and investment property. This comprises a fixed charge over book and other debts, chattels, goodwill and uncalled capital, both present and future and a floating charge over all assets and undertakings both present and future.

There is also a first legal charge over freehold property known as Unit 2, Gillan Way, Penrith 40 Business Park, Penrith, CA11 9BP.

18. Loans

Analysis of the maturity of loans is given below:

	2016 £	2015 £
Amounts falling due within one year		
Bank loans	**21,000**	21,351
	21,000	21,351
Amounts falling due 1-2 years		
Bank loans	**56,360**	52,952
	56,360	52,952
Amounts falling due 2-5 years		
Bank loans	**88,792**	85,998
	88,792	85,998
Amounts falling due after more than 5 years		
Bank loans	**195,982**	222,833
	195,982	222,833
	362,134	383,134

19. Financial instruments

	2016 £	2015 £
Financial assets		
Financial assets measured at fair value through profit or loss	**619,954**	1,051,031
Financial assets that are debt instruments measured at amortised cost	**1,568,107**	421,946
	2,188,061	1,472,977
Financial liabilities		
Financial liabilities measured at amortised cost	**(1,968,097)**	(1,320,679)
	(1,968,097)	(1,320,679)

Financial assets measured at fair value through profit or loss comprise cash at bank and in hand.

Financial assets measured at amortised cost comprise trade debtors and other debtors.

Financial Liabilities measured at amortised cost comprise bank loans, trade creditors, other creditors and accruals and deferred income.

20. Reserves

Profit and loss account

Profit and loss account represents retained cumulative profits and losses.

21. Company status

The company is a private company limited by guarantee and consequently does not have share capital. Each of the members is liable to contribute an amount not exceeding £1 towards the assets of the company in the event of liquidation.

22. Pension commitments

The company operates a defined contribution scheme for employees. The pension cost charge for the year amounted to £14,675 (2015 - £10,091) and outstanding contributions at the balance sheet date amounted to £nil (2015 - £2,392).

The Company operates a defined benefit pension scheme.

The company also contributes to a Teacher's Pension Scheme (TPS) for certain employees. The pension cost charge for the year amounted to £8,519 (2015 - £13,805) and outstanding contributions at the balance sheet date amounted to £nil (2015 - £1,150).

The company contributes to the Greater Manchester Pension Fund (a Local Government Pension Scheme) on behalf of its employees to provide benefits based on final pensionable pay. Contributions are charged to the income and expenditure account so as to spread the cost of pensions over employee's working lives with the company. The contributions are determined by a qualified actuary on the basis of trennial valuations using the projected unit method.

The most recent comprehensive actuarial valuation has been undertaken as at 31 March 2016 by appropriately qualified actuary who are also regulated by the FCA.

A salary increase of 0.1% on current employee salaries is expected in future years.

	2016 £	2015 £
Reconciliation of present value of plan liabilities		
At the beginning of the year	**25,421,000**	21,527,000
Current service cost	**629,000**	576,000
Interest expense	**819,000**	932,000
Actuarial gains/losses	**(2,816,000)**	2,627,000
Contributions	**158,000**	183,000
Benefits paid	**(449,000)**	(424,000)
Past service cost	**41,000**	-
At the end of the year	**23,803,000**	25,421,000

	2016 £	2015 £
Reconciliation of present value of plan assets:		
At the beginning of the year	**22,690,000**	20,145,000
Interest income	**728,000**	870,000
Actuarial gains/losses	**(861,000)**	1,477,000
Contributions	**595,000**	622,000
Benefits paid	**(449,000)**	(424,000)
At the end of the year	**22,703,000**	22,690,000

22. Pension commitments (continued)

	2016 £	2015 £
Fair value of plan assets	**22,703,000**	22,690,000
Present value of plan liabilities	**(23,803,000)**	(25,421,000)
Net pension scheme liability	**(1,100,000)**	(2,731,000)

The amounts recognised in profit or loss are as follows:

	2016 £	2015 £
Current service cost	**(629,000)**	(576,000)
Interest on obligation	**(91,000)**	(62,000)
Past service cost	**(41,000)**	-
Total	**(761,000)**	(638,000)

Reconciliation of fair value of plan liabilities were as follow:

	2016 £	2015 £
Opening defined benefit obligation	**(2,731,000)**	(1,382,000)
Current service cost	**(629,000)**	(576,000)
Interest cost	**(91,000)**	(62,000)
Contributions by scheme participants	**437,000**	439,000
Actuarial gains and (losses)	**1,955,000**	(1,150,000)
Past service costs	**(41,000)**	-
Closing defined benefit obligation	**(1,100,000)**	(2,731,000)

The cumulative amount of actuarial gains and losses recognised in the Statement of comprehensive income was £1,120,000 loss (2015 - £3,075,000 loss).

The Company expects to contribute £565,000 to its defined benefit pension scheme in 2017.

The pension plan has not invested in any of the Company's own financial instruments or other assets of the Company.

22. Pension commitments (continued)

Principal actuarial assumptions at the Balance sheet date (expressed as weighted averages):

	2016	2015
	%	%
Discount rate	**3.5**	3.2
Future salary increases	**0.1**	0
Future pension increases	**2.2**	2.4
Mortality rates		
- for a male aged 65 now	**21.4**	21.4
- at 65 for a male aged 45 now	**24**	24
- for a female aged 65 now	**24**	24
- at 65 for a female member aged 45 now	**26.6**	26.6

23. Commitments under operating leases

At 31 March 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2016	2015
	£	£
Not later than 1 year	**122,833**	111,508
Later than 1 year and not later than 5 years	**328,000**	293,000
Later than 5 years	**21,333**	88,333
	472,166	492,841

A total of £162,171 was recognised as an operating lease expense in the period (2015 - £150,834)

24. Related party transactions

Career Connect Limited (formerly Greater Merseyside Connexions Partnership) is a fellow member of a joint venture, Reachfor Limited, a company in which Mr M Bowman, Director, is also a director. During the year income of £63,460 (2015 - £196,680) was invoiced to Career Connect Limited and purchases made from them of £33,310 (2015 - £nil). At the balance sheet date £nil (2015 - £35,040) was owing to Inspira Cumbria Limited and £17,640 (2015 - £nil) was owing from Inspira Cumbria Limited in respect of these transactions.

During the year income of £29,325 (2015 - £45,920) was invoiced to Reachfor Limited and purchases made from them of £14,716 (2015 - £25,750). At the balance sheet date £14,242 (2015 - £nil) was owing to Inspira Cumbria Limited in respect of these transactions. There was also a debtor included in other debtors of £11,000 (2015 - £nil) in relation to set up costs incurred by Inspira Cumbria Limited on behalf of Reachfor Limited.

Key management personnel remuneration
Key management personnel comprise the executive directors as well as members of the senior management. Their aggregate remuneration was as follows:

	2016 £	2015 £
Wages and salaries	88,264	88,264
Social security costs	9,898	9,917
Staff pension costs	13,505	13,505
	111,667	111,686

25. First time adoption of FRS 102

	Note	As previously stated 1 April 2014 £	Effect of transition 1 April 2014 £	**FRS 102 (as restated) 1 April 2014 £**	As previously stated 31 March 2015 £	Effect of transition 31 March 2015 £	**FRS 102 (as restated) 31 March 2015 £**
Fixed assets		260,710	-	**260,710**	1,036,409	(69,653)	**966,756**
Current assets		1,759,144	-	**1,759,144**	1,595,680	-	**1,595,680**
Creditors: amounts falling due within one year		(969,325)	-	**(969,325)**	(1,220,384)	-	**(1,220,384)**
Net current assets		789,819	-	**789,819**	375,296	-	**375,296**
Total assets less current liabilities		1,050,529	-	**1,050,529**	1,411,705	(69,653)	**1,342,052**
Creditors: amounts falling due after more than one year		(13,656)	-	**(13,656)**	(361,783)	-	**(361,783)**
Provisions for liabilities		(1,382,000)	-	**(1,382,000)**	(2,731,000)	-	**(2,731,000)**
Net liabilities		(345,127)	-	**(345,127)**	(1,681,078)	(69,653)	**(1,750,731)**
Capital and reserves		(345,127)	-	**(345,127)**	-	(1,750,731)	**(1,750,731)**

25. First time adoption of FRS 102 (continued)

	Note	As previously stated 31 March 2015 £	Effect of transition 31 March 2015 £	**FRS 102 (as restated) 31 March 2015 £**
Turnover		10,349,619	-	**10,349,619**
		10,349,619	-	**10,349,619**
Administrative expenses		(10,474,164)	-	**(10,474,164)**
Operating profit		(124,545)	-	**(124,545)**
Interest receivable and similar income		8,439	-	**8,439**
Interest payable and similar charges		(3,910)	-	**(3,910)**
Other finance income		261,000	(323,000)	**(62,000)**
Taxation		(3,932)	-	**(3,932)**
Profit/(loss) on ordinary activities after taxation and for the financial year		137,052	(323,000)	**(185,948)**

Explanation of changes to previously reported profit and equity:

1 Adjustment of £69,653 in respect of the recognition of mixed use property on the company balance sheet that was held exclusively as freehold property under previous UK GAAP

2 Adjustment of £323,000 in respect of adjustments made to the defined benefit pension scheme on transition to FRS 102