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prospects

Inspiring People: Developing Potential

Annual Report and Accounts

Prospects Group 2011 Limited

Company number: 07708678

2016/17

The Prospects Group provides tailored education, employment, training and care products and services for people at all stages of life. Each year Prospects inspires more than 500,000 people to develop their potential and transform their lives. More than 1,400 professional and skilled colleagues provide practical support to the local communities they are based in across the UK and internationally.

Prospects is one of the largest employee owned companies in the UK. It is also a Leader in Diversity and ranked in the top 100 index by the National Centre for Diversity. The social purpose of Prospects is to focus on the delivery of high quality services to the public and private sector for individuals at all stages of life. We have 20 years' experience of successfully delivering public services across the UK.

Strategic report

Governance

Financial statements

Additional information

Purpose and values

Prospects is an employee owned mutual whose social purpose is to focus on the delivery of high quality services to the public and private sector for individuals at all stages of life. We have over 20 years' experience of successfully delivering public services across the UK. Our purpose and values reflect our aim to inspire people and develop their potential.

Our Purpose

We inspire the people we work with to develop their full potential. We do this through providing tailored education, employment, training and care products and services.

We will grow Prospects to benefit the individuals we support, our colleagues and our partners by delivering more expert and innovative services to more people each year.

Our Values

Achieving Impact

Providing high quality services which achieve positive and sustainable results for our customers.

Working Together

Working with individuals, funders and partners to design and deliver effective services.

Delivering Change

Sharing knowledge and expertise, evaluating services so we can learn, adapt and innovate.

Valuing Colleagues

We are proud to be employee owned and invest in our people. We create opportunities for everyone to develop their skills, share their knowledge and experience, to contribute to our success.

Promoting Diversity

Acting fairly and ethically, recognising diversity, enabling and supporting access to opportunities for everyone to achieve their potential.

Chairman's statement

Ray Auvray
Non-Executive Chairman

During 2016/2017 Prospects has built solidly on our financial, operational and strategic strengths to deliver consistently good performance, secure new business and plan for further growth.

Our financial performance has been strong delivering revenue of £80.0 million (prior year £75.7 million) and earnings before interest, tax, depreciation, amortisation and exceptional items of £4.7 million (prior year £2.8 million).

Operationally it has also been a good year, with significant Ofsted successes for the National Careers Service where we achieved 'Good' in all three of our prime contracts. This consistent and high quality performance across our contracts is at the heart of all of our work. Prospects is the largest provider of the National Careers Service where we have worked with more than 185,000 people during the year.

In the last year we have made strategic moves into new business areas. Last November we acquired Optimus Education, strengthening our offer to educational institutions. We now provide services to more than 7,000 schools and academies with further growth planned in this area.

Alongside this we have explored opportunities to further develop our care and support business in the light of our existing successes in Calderdale and Gloucestershire with young people leaving care and our long term support for vulnerable young people through our targeted support contracts in London, Yorkshire and the Humber and across the Midlands. Since the year end we have significantly advanced our ambitions in the care sector through the acquisition of Homes 2 Inspire, a provider of 18 residential children's homes in the Midlands.

We continue to seize opportunities and invest in our digital portfolio, providing cost effective solutions for our commissioners, while working in ways our service users understand and choose. Engaging in the digital world our young people inhabit will be vital to our future success and we will continue to innovate within this sphere.

This year Prospects has won significant contracts including more than £18 million worth of European Social Fund wins. These contracts have enabled us to expand our footprint within a number of our key regions in London, the Midlands and Yorkshire and the Humber and broker new and important relationships with funders and stakeholders.

However, this year also saw the end of one of our largest contracts, the Ofsted Early Years Inspection Service, which we began delivering in 2010 across the whole of the North of England and the Midlands due to the decision of Ofsted to run all of their inspections 'in house'. Losing colleagues is always difficult especially when they have delivered a high performing service, however, with the cessation of the Ofsted contract new opportunities for Early Years work become available in areas of the country where we were previously conflicted by our inspection services.

In my role as Chairman of Gabbitas, part of the Prospects Group, I work closely with our colleagues based in China. The growth is phenomenal and throughout the country plans are being made for future development. China continues to enjoy strong economic growth, and movement of people from rural to urban communities. This rapid change is made possible through the huge ambition of leaders and workers. Rapid change is something we at Prospects excel at, as an agile organisation I believe we will adapt to a future where we see reductions in government spending at both national and local levels, Brexit, changes to our national demographic, globalisation, terrorism and geo-political challenges. Colleagues have continually shown great ambition shaping and forging Prospects into the £80 million company it is today.

I should like to thank all of my colleagues working at the Prospects Group for your expertise, passion and commitment to inspire the people they work with every day. I would also like to express my appreciation to our partners and stakeholders, who have shared our vision and aims to make a difference to people's lives and enabled us to deliver our services to such a high standard. Finally I would like to thank our customers and clients, locally, nationally and internationally.

26 September 2017

Chief Executive's statement

Nick Bell
Chief Executive

Over the past 12 months Prospects has looked to the future to develop further growth in the face of local and national government budget cuts. We continue to innovate to make our existing services more effective and accessible for our customers while maintaining the important element of face to face contact which makes our services and products stand out. For Prospects it is all about ensuring that we inspire the people we work with to develop their potential and improve their lives.

To achieve this we are developing the range of services and products we provide to our existing clients and expanding our footprint where we have a strong reputation and history of provision. Senior directors, based in and championing our regions, are working across all of our divisional sectors seeking opportunities to extend our reach into markets where we have national expertise. This approach is reaping rewards with contracts won in the Midlands, London and Yorkshire and the Humber for European Social Fund joint funded projects.

Our great performance is underpinned by our great colleagues, who work to deliver our services, going the extra mile to support the 500,000 individuals we work with every year. I am keen to see this number increase to enable Prospects to inspire more people every year. To achieve this aim we will need to further enhance the way we work together across divisions. Alongside our regional champions our Employee Council are critical to this through their work as the voice of our employees around the company. I have been delighted to meet with the council on a regular basis this year and support their recent employee discount initiative giving all employees access to a range of shopping, holiday, leisure and travel discounts.

One area of improvements we are making across the Group has been the quality of our IT provision. During the year we contracted Agilisys, to audit and transform our IT infrastructure and processes. Agilisys made a number of recommendations and we are currently in the process of transformation, with users reporting improved services. The Board and I are committed to ensuring Prospects have the right IT infrastructure to enable us as a business to become the digital innovator in our industry. We have invested in an internal digital learning platform for colleagues and subcontractors, and are developing a number of virtual and digital services for customers.

Over the year we have also seen a number of changes to our executive leadership team. Alastair Gilchrist, our Director of Transformation, left at the end of 2016, after initiating an ambitious change programme to improve our working practices. John Theedom, who successfully led our Early Years division and Ofsted Early Years Inspection Services, left and we would like to thank him for the enormous contribution he made whilst at Prospects.

One of my proudest moments this year was joining colleagues at the National Centre for Diversity Grand Awards, where Prospects won Best Large Company, seeing off competition from many household names. Inclusion is one of the pillars of Prospects, both for our colleagues and for the many customers we support. Our aim, to inspire people and develop potential, and our values of promoting diversity; working together; valuing colleagues; achieving impact; and delivering change underpin not only the way we work but the work we choose to do.

This coming year will be one of ongoing changes, as we move to embed our work in markets including the care sector and education. We know we must adapt to meet the changing needs of our customers and commissioners as they are forced to make reductions in services. To achieve this we will work as one.
I would like to thank all of our expert, professional and hard-working colleagues for their passion and dedication. It is down to Prospects' people that we continue to deliver great outcomes for our customers.

26 September 2017

Summary and highlights

Financials

	Year ended 31 March 2017	Year ended 31 March 2016
Revenue	**£80.0m**	**£75.7m**
Adjusted EBITDA*	**£4.7m**	**£2.8m**

*earnings before interest, tax, depreciation, amortisation and before exceptional items

Prospects help 72% of South West Work Programme customers to sustain employment.

Prospects supported 28,016 people in to jobs in the last year.

More than 1,000 providers have taken part in Prospects Early Years training events.

Prospects supported 185,000 people through the National Careers Service in London, West Midlands and the South West.

19.5% of Calderdale care leavers aged 18 plus go on to attend university – three times the national average.

Prospects National Careers Service helped 890 ex-In Custody customers in to jobs.

Optimus Education, part of the Prospects Group, works with 40% of all secondary schools in England.

Risk management

Risk is an accepted and necessary part of carrying on our business and we rely upon our risk management processes to appropriately balance risks against rewards. The Board has overall responsibility for risk management and internal control and the Executive Directors ensure that risk management plans are effectively communicated throughout the organisation.

Internal control environment

The group operates an internal control environment with suitable approval and authority limits applied throughout the business. Further details on the internal control environment are set out on page 25 of the Corporate governance report.

Risk register

The group maintains a risk register identifying the key risks faced, the likelihood and potential impact of the risk and measures being taken to counter or mitigate the risks.

Principal risks and uncertainties

The principal business risks and uncertainties that we have identified and seek to manage are set out below. In addition, there are also financial risks relating to interest rates, credit, liquidity and pensions which are described in note 27 to the financial statements.

Risk description	Potential impact	Mitigation
A safeguarding failure in respect of a young person or vulnerable adult	We regularly work with vulnerable client groups and a safeguarding failure could result in the potential loss of business, have an adverse effect on financial performance and lead to reputational damage in bidding for future work.	We maintain a comprehensive safeguarding policy and framework reflecting best practice and ensure that all relevant staff have in place Disclosure and Barring Service checks and receive the appropriate safeguarding training.
Change in political and economic environment	Significant reductions in public sector funding, changes in government policies or the referendum decision to leave the European Union could impact on renewal or terms of existing contracts and the size, scope and timing of new contracts which could have an adverse effect on financial performance.	We seek to develop innovative service delivery models and solutions within available funding parameters, maintain good relationships across central and local government, communicate our success stories through case studies and proactive public relations and maintain breadth and diversity in our service provision.
Failure to win a significant new contract or renew a contract on re-tender	Failure to win material new bids or renew existing major contracts could restrict growth opportunities and have an adverse effect on financial performance.	We focus on high quality service delivery under our existing contracts demonstrating value for money, implement contract retention strategies, maintain a strong central bidding team and pipeline of new business and have robust sign off processes for approving tender submissions.

Risk description	Potential impact	Mitigation
Contract under-performance or poor quality at inspection	Poor contractual performance or a poor inspection report from Ofsted or another inspection body could result in the potential loss of business, have an adverse effect on financial performance and lead to reputational damage in bidding for future work.	We employ strong senior managers who are responsible for the contract's operational and financial performance with regular reporting of key performance indicators on material contracts to the Board and use our Quality & Business Improvement team to assess and benchmark contract performance so that any potential issues can be identified and corrective actions taken as early as possible.
Inability to attract, retain and develop the right calibre of staff	Management capacity or capability limitations may result in a failure to develop and deliver business plans whilst poor staff retention or morale could affect our ability to deliver high quality services and result in potential loss of contracts or have an adverse effect on financial performance.	We ensure that all staff fully embrace our values and culture and look to promote the benefits of being an employee owned company. We seek to ensure pay and conditions remain fair and affordable in the context of the delivery of public services. We also undertake an organisational development programme to ensure that staff attain and maintain the skills to develop and perform.
Major information security breach	As a provider of public services we have to handle sensitive and confidential data and an information security breach, whether by accident or malicious attack, could result in the potential loss of contracts, have an adverse effect on financial performance and lead to reputational damage in bidding for future work.	We ensure that all our staff receive information security training and run staff awareness campaigns to promote data security. We employ experienced personnel specialising in information assurance and security, run penetration tests and operate in accordance with the ISO27001 certification which is subject to regular external assessment.
Loss of critical IT systems	Business continuity is put at risk as operations fail to function meaning an inability to deliver services and additional costs are incurred reinstating operability.	We are continuing to migrate key IT performance systems, storage and communication capability to accredited and secure third party cloud solutions. Key data in systems still maintained in-house is replicated between our Bromley and Black Country servers.
Failure to effectively manage our brand and reputation	Adverse publicity could damage confidence in the group's ability to deliver services, constrain growth plans and have an adverse effect on financial performance.	We seek to build and maintain strong relationships with our customers and other stakeholders and our risk management processes identify potential reputational impacts allowing effective management and oversight.

Celebrating equality, diversity and inclusion

In February Prospects was awarded UK Large Business of the Year 2017 at the National Centre for Diversity Grand Awards. The award recognises our commitment to ensuring diversity and inclusion is at the heart of our value-led culture, inspiring a different but equal attitude towards our employees, stakeholders and customers.

> “ Being diverse is critical for us, and we have complete buy-in at every level and in every area of Prospects

Nick Bell, who along with Quality Director, Antony Pearce, has championed Prospects approach to equality and diversity, comments: "Winning was an incredibly proud moment for me, the award is a testament to colleagues whose dedication to a fairer society by providing tailored services is what ensures Prospects is an innovative company with a strong, diverse and vibrant workforce. For Prospects being committed to diversity and equality isn't something we tack-on, it is part of our DNA. Being diverse is critical for us, and we have complete buy-in at every level and in every area of Prospects. Across the company we value everyone we connect with because fairness and equality is the way we choose to do business. I know everyone at Prospects will be as proud as me to be recognised for our hard work in becoming the National Centre for Diversity's Large Business of the Year."

Prospects was selected from a shortlist of seven nationally known companies; VINCI Construction UK, NG Bailey, Carillion Strategic Highways, Arriva Rail North, Interserve Construction and Amey.

Solat Chaudhry, Chief Executive of the National Centre for Diversity says: "The Grand Awards is a glittering and emotional night of celebration, of the sheer hard work of people that work in the country's best companies in relation to Fairness, Respect, Equality, Diversity, Inclusion, and Engagement (FREDIE). I'd like to offer a huge congratulations to Prospects for winning Large Business of the Year, I know they live and breathe equality and diversity."

Prospects gained Leaders in Diversity accreditation in 2015 and is a Disability Confident Employer.

Working together with partners in the devolved nations

The majority of work delivered by Prospects is in England, however a significant growth area is our work internationally and our successful delivery in the devolved nations. In Wales, Prospects Cymru deliver the Big Ideas Wales contract in partnership with Cazbah, a specialist marketing agency in Wales.

> “Working together is a key value for Prospects and by developing deep partnerships we are able to inspire more people to develop their potential

Big Ideas Wales inspires, nurtures and equips the next generation of entrepreneurs in Wales and encourages young people under 25 to develop entrepreneurial skills whatever their career choice. It forms part of the Youth Entrepreneurship Strategy of the Welsh Government. In the year to March 2017 Prospects Cymru colleagues delivered Big Ideas Wales activities to 170 secondary schools, and 80 primary schools, as well as further education colleges, universities and organisations outside of education, benefitting more than 55,000 young people. The programme features mentoring, inspirational talks, competitions and business support for young entrepreneurs whose initiatives range from wonky fruit smoothies to apps supporting commuters on the London Underground.

Prospects and Cazbah also work together with the Welsh Government and Careers Wales to produce the SkillsCymru events in Cardiff and Llandudno. Aimed at inspiring young people, the events are created with the support of stakeholder steering groups, meeting quarterly to discuss how the current careers and skills landscape enhances events.

Meeting stakeholder needs is critical to the long term success of the events and the planned SkillsCymru events in 2017 focus on the Welsh Government priority policy of improving apprenticeship take-up. This is critical to the success of all of Prospects events.

In Northern Ireland, where the hugely successful Skills Northern Ireland launched in 2016, Prospects works closely with the Department for the Economy, the Northern Ireland Executive, Belfast City Council, Colleges NI and Northern Ireland Electricity Networks meeting quarterly as a steering group chaired by Dr Deidre Hughes, OBE.

In Scotland the skills series is well-established and Skills Development Scotland has supported the events since inception. Skills Development Scotland, like the Welsh Government, works closely to ensure the success of the events and provide relevant content, augmenting policy messages to the young people attending and promoting the events to encourage attendance.

Working together is a key value for Prospects and by developing deep partnerships we are able to inspire more people to develop their potential.

Developing Prospects regional footprint

Since Prospects was founded, more than 20 years ago, we have focused on providing local solutions for local communities. Employing managers and staff who live in the towns and cities where we work enables Prospects to benefit from being a national company with a local outlook when meeting the needs of the people we support.

Recently Prospects has further integrated our regional approach through regional business leads, who focus on promoting the wealth of Prospects services to new and existing customers.

In London, suitable candidates applying for jobs from cleaning to accounting is at its lowest ebb in more than a year, with fewer vacancies being filled as a result. This brings a lack of investment in skills into stark focus, and presents Prospects with the opportunity to be part of national and local conversations about education, employment and skills reform. In the London Borough of Bexley we are working with the borough's Strategic Employment and Skills Board, to achieve the Vision for Bexley 2030. This work is complemented by European Social Fund (ESF) contract wins to provide support programmes for young people in London.

Our adult work in London, successfully providing the National Careers Service contract, has enabled us to inspire more than 85,000 people. Nationally we have worked with more than 185,000 adults through our provision of the National Careers Service. This track record in effectively supporting adults facilitated additional contract wins to support those in low paid and/or unstable employment to increase their wages and gain more stable jobs and support older unemployed adults.

In the Midlands Prospects continues to grow our young people's services providing targeted support contracts in Leicestershire, Northamptonshire, Coventry and Warwickshire to more than 19,000 16 to 18 year olds, increasing the number participating in education and training.

New contracts in Coventry helped reduce the Not in Education, Employment or Training (NEET) and Not Known rates from 11.3% in 2016 to 7.3% in 2017 and from 11.9% to 6.3% in Warwickshire. Prospects won additional contracts to support young people in Leicester and Leicestershire, Wolverhampton and Coventry & Warwickshire. Prospects was awarded two contracts in Birmingham and Solihull targeting 15-29 year olds who are NEET. The West Midlands is a key area where Prospects National Careers Service as prime provider works in partnership with stakeholders, and has won two National Careers Service subcontracts in Stoke and Staffordshire and Milton Keynes.

In the South West Prospects employability and skills work includes National Careers Service and Work Programme contracts in Cornwall, Devon, Dorset and Somerset. These prime contracts are complemented by subcontracts for Work Programme in Bristol and Work Choice in Dorset. This work involves supporting employers and working closely with representative groups across the region as we address the changing face of employability.

In the South West we also deliver our largest young people's contract, Gloucestershire Youth Support, providing services to many of the county's vulnerable young people. The focus is to support Gloucestershire County Council to deliver statutory young peoples' services alongside Prospects careers education, information, advice and guidance (CEIAG) services.

In Yorkshire and the Humber Prospects has secured the new three year CEIAG contract for Bradford and an additional year in Wakefield to develop a digital service. While successfully retaining our Pathways Leaving Care contract in Calderdale for a further year. Across the region Prospects has extended our footprint and presence into York, North Yorkshire, East Riding and the east coast supporting young people furthest from the workplace.

Escaping the poverty trap

Prospects is the largest provider of the National Careers Service working with 185,000 people in their communities, in custody and in schools, academies and colleges through the Inspiration Agenda. We are the prime contractor providing services in London, the South West and West Midlands and a partner in Careers Yorkshire and Humber. In addition, we deliver services in Stoke, Staffordshire and Milton Keynes for other prime contractors.

The National Careers Service aims to help people into work, and for those already in work, to improve and progress within their roles. Across our three prime contracts we provide services in more than 550 locations including 40 prisons. Our expertise has enabled us to achieve 'Good' Ofsted grades for all three contracts and win additional funding to provide extended services.

Our expertise in supporting people to increase their life chances through improved career progression enabled Prospects to win contracts to support low paid workers to lift them out of in-work poverty in London. Figures from the Joseph Rowntree Foundation cite 1 in 8 workers are now living in poverty. Improving skills for those on low pay is a high priority for government facing significant rises to the in-work benefits bill outstripping costs for those who are unemployed. This work, funded through the European Social Fund, supports people, particularly parents, who are working but caught in low paid, unstable employment to improve their lives and those of their children.

Low pay isn't just an issue for employees. For employers facing a changing demographic skills gaps are a high priority. Prospects works directly with employers to support in work progression to upskill their workforce to address their skills shortages and develop the potential of their own staff. This increases staff engagement and workforce productivity, helping both the low paid workers and employers.

National Apprenticeship Week

As part of its National Careers Service contracts, Prospects informs and supports young people and adults about apprenticeships. We also help employers promote their apprenticeship programmes. During National Apprenticeship Week, 6-10 March, the National Careers Service took to the road with an Apprenticeship Bus Roadshow stopping at: Bristol, Taunton, Exeter, Plymouth and Truro. The double decker bus featured National Careers Service advisers and managers whosigned individuals up to the Find an Apprenticeship website and gave advice on apprenticeships.

The National Careers Service inspired more people than expected. All three prime contracts ran events and activities to mark National Apprenticeship Week During which they advised 1,390 people. The National Careers Service provides careers advice and guidance including information about apprenticeships to support people to return to work or learning and to progress within the workforce.

Using technology to enhance services

In today's world the technology we use has become embedded into our culture. We have wearables, tablets and are never without our phones - expecting responses outside of the traditional 9 to 5. It is in this environment Prospects is delivering more services digitally, not only are digital services cost effective for local authority commissioners capped by austerity, they are the go-to for the majority of young people accessing our services who have grown up with technology.

In Wakefield Prospects has moved towards a digital model providing information, advice and guidance to young people. Information is available through Facebook and Twitter, and live chat service with advisers with chat users with an instant transcript of their conversation.

The app "What If I Calderdale?" offers answers to young people's questions about money, health, relationships and many other areas. Designed by Prospects for those leaving care in Calderdale, the app can help young people get the answers they need.

In West Yorkshire Prospects offers virtual practice interviews with Interviewstream. These interviews provide valuable interview practice and young people can interact and respond using their webcam or smartphone. Advisers provide feedback on the responses and impression of each candidate.

Prospects is piloting virtual reality with 360° experiences of Leicester Tigers Rugby Stadium and Trans4m - a Leicester-based apprenticeship provider and, as part the London Ambitions Career Clusters initiative, we produced more than 30 360° virtual reality video workplace interviews, allowing advisers to lead lessons and learners to experience workplaces in virtual reality.

However, Prospects is not just working with young people. Prospects Early Years team has developed extensive online learning resources, including a full introductory certificate course for childminders. Existing practitioners can also improve their professional skills by joining live webinars to earn digital badges recognising their continuing professional development.

For teachers and school leaders Optimus Education has digital options for completion of their non-curricular awards. The awards focus on parental engagement, special education needs and disability inclusion, wellbeing and professional development for teaching assistants. Each award helps support schools to achieve long-term, sustainable school improvement.

Additional projects are in the digital pipeline and will be rolled out during 2017/18.

Calderdale care leaver speaks at national conference

A Calderdale care leaver, who is now an apprentice supporting other care leavers into employment, has received national recognition for her work. Claire works within the Calderdale Pathways Service, supporting care leavers when they reach 16 until they are 21, or 25 if they remain in education. The service is provided by Calderdale Council and Prospects.

“It's great to see people like Claire achieving great things, and she is making a real difference to many local people

Claire's work attracted national attention and she was invited to speak at the national Not in Education, Employment or Training Conference alongside Laura-Jane Rawlings, Youth Employment UK's Chief Executive, in September.

Claire spoke about her work supporting care leavers into employment, education and training by delivering tailored support reflecting each care leaver's circumstances. She explained how she ensures care leavers have action plans and understand the opportunities available to them, maximising their chances of getting into work, learning or work-based training.

Claire joined Prospects in 2015 as part of Calderdale Council's scheme to help improve employment for care leavers. She is responsible for supporting care leavers into apprenticeships, employment and education. She runs a mentoring service together with Calderdale Council's Workforce Development team to support apprentices, and chairs the strategic board that oversees service development and improvement for the Leaving Care Service.

Cllr Megan Swift, Calderdale Council's Cabinet Member for Children and Young People's Services, said:

"We want all of Calderdale's care leavers to have the best possible chances in life to reach their full potential. The Council and Prospects work hard to provide support in a range of areas, from housing to employment. It's great to see people like Claire achieving great things, and she is making a real difference to many local people."

In 2016 Prospects were successful in retaining the Pathways Leaving Care Service contract.

Claire's experience is one of several stories featured at: www.youtube.com/user/TheProspectsGroup/

Prospects acquires Optimus Education

On 1 November 2016, Prospects acquired Optimus Education. Founded in 1997, Optimus Education helps primary and secondary school leadership teams manage staff development efficiently and effectively, and stay compliant and drive whole school improvement through a variety of conferences, events, training resources, and a digital resource library.

Speaking in November, Andrew Thraves, Director of Education for Prospects, commented: "I am delighted that we have acquired Optimus Education. I'm equally pleased that Optimus Education has chosen us as its new home."

Andrew added: "Together we'll be in a great position to provide schools and multi-academy trusts with an even more comprehensive 'one-stop-shop' offer. The government talks about the importance of a school-led system as central to raising standards. By joining forces we will offer school awards and curriculum resources, in-school consultancy and training, and high-profile conferences and events for teachers and senior leaders intended to identify, showcase and help embed good practice and 'what works'. Acquiring Optimus Education enables Prospects to provide education providers with the complete package."

Prospects and Optimus Education now provide a range of leading products and services to the education industry under the Optimus Education banner, a part of the wider Prospects Group brand. The division, which has colleagues based in central London and Taunton, provides services to more than 7,000 schools, multi-academy trusts and local authorities, including 40% of all secondary schools in England.

Products and services provided include: conferences and events to enable schools to keep up-to-date with policy developments and evolving best practice; consultancy offering bespoke support for schools and academies; school awards which recognise excellent performance in delivering key but non-curriculum areas such as wellbeing, special educational needs, parental engagement, and effective use of teaching assistants; and a web-based Knowledge Centre which contains thousands of templates, policy documents, and ready-made training courses which can be accessed anytime, anywhere.

Winning awards for Feltham Young Offenders Institution

Prospects began to provide education in Feltham Young Offender Institution in 2015, and immediately started to make a difference, providing additional hours of education provision. Our hard work has been recognised nationally with a number of award wins this year. Two colleagues received 'Outstanding Teacher' awards at a prize giving organised by the Prisoner Learning Alliance (PLA) following nominations by some of their students. The awards recognise teachers, librarians, officers and peer mentors who make a real difference to the lives of prisoners through their passion and talent for education.

The PLA received more than 200 nominations, all of which came from people serving prison sentences. In one letter, of 14 nominations received for the Prospects pair, a young man wrote: "Not only does she do what the curriculum states, she goes above and beyond to help prisoners. Before coming to this class it was as if my education was going nowhere, but she helped me to plan my future education, not only in prison but on the outside."

Another wrote: "I'm not the smartest guy in the world but my teacher makes me feel I am - she pushes me every day. It's very hard to get people like that in your life, so you have to be grateful for every second you spend with them."

The work of Fulham Football Club Foundation (FCF) with Prospects also won recognition at the prestigious London Football Awards, winning the Community Project of the Year award sponsored by the Football Association. The Fulham Work Hub Through the Gate project equips offenders at Feltham with the skills and confidence they need to reintegrate into society post-release through enterprise and employability programmes.

Research shows a considerable drop in the re-offending rate for participants on the programme, of 113 young offenders, 13 participants entered full time employment and 12 entered education post release. A number of ex-offenders are also now working alongside Fulham FCF in the community. The average reoffending rate for Youth Offending Institutions is more than 70%, for those involved in this project the rate recorded was 17%.

> "It's very hard to get people like that in your life, so you have to be grateful for every second you spend with them

Financial review

Group trading summary

	Year ended 31 March 2017	Year ended 31 March 2016	Change
	£'000	£'000	
Revenue	**80,036**	75,708	6%
Operating profit	**3,544**	1,948	
Depreciation and amortisation	**928**	859	
EBITDA [1]	**4,472**	2,807	59%
Exceptional items charged against EBITDA	**235**	-	
Adjusted EBITDA [2]	**4,707**	2,807	68%
Depreciation and amortisation excluding exceptional items	**(928)**	(859)	
Group share of associate's operating profit	**103**	85	
Net interest expense	**(1,281)**	(1,185)	
Adjusted profit before tax [3]	**2,601**	848	207%

(1) EBITDA is earnings before interest, tax, depreciation and amortisation
(2) Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation and before exceptional items
(3) Adjusted profit before tax is profit before tax and before exceptional items

Revenue

Group revenue for the year ended 31 March 2017 of £80.0 million was 6% higher than that achieved in the previous year of £75.7 million. The increase in revenue was primarily attributable to increased revenue from our young people's services and our adult employment and skills services, together with the revenue attributable to Optimus Education Limited since it was acquired in November 2016.

Adjusted EBITDA

Adjusted EBITDA, being earnings before interest, tax, depreciation and amortisation and before exceptional items, is used as a consistent measure of business performance year on year. Adjusted EBITDA for the year ended 31 March 2017 of £4.7 million was 68% higher than the previous year's £2.8 million. The adjusted EBITDA margin increased from 3.7% to 5.9% in the year.

Group trading summary

Exceptional items are material items which derive from events or transactions that fall outside the ordinary activities of the group and which need to be disclosed by virtue of their size or incidence if the financial statements are to give a true and fair view. The directors believe that the separate reporting of exceptional items helps to provide a better indication of the group's underlying business performance.

Exceptional items of £0.2 million were charged against profit in the year (2016 — £nil). The exceptional items in the current year comprised restructuring costs of £0.7 million following a reduction in certain contract values partially offset by a settlement gain of £0.5 million arising on a defined benefit pension scheme in respect of a bulk transfer out of the group's defined benefit pension scheme to a comparable arrangement with their new employer following a TUPE transfer.

Pensions

The group's defined benefit pension schemes are closed to new entrants. However, the group has a continuing requirement to ensure access to a broadly comparable public sector pension scheme for new staff transferring into the group on an initial outsourcing from the public sector or subsequent transfer who retain an entitlement to a high quality public sector defined benefit pension.

At 31 March 2017 the group had five separate admission agreements to allow certain employees continued access to the Local Government Pension Scheme (LGPS) and the group also provided a broadly comparable pension to the Principal Civil Service Pension Scheme through a scheme with Prudential Platinum.

The net pension deficit for the group's defined benefit pension schemes as reported under FRS 102 increased to £50.9 million at 31 March 2017 (2016 — £38.5 million). This primarily reflects an adverse movement on actuarial assumptions and in particular the discount rate which reduced from 3.6% to 2.7% partially offset by a positive investment return on plan assets during the year.

The latest full actuarial valuation of the group's largest defined benefit pension scheme, being the admission agreement to the LGPS through the London Pensions Fund Authority (LPFA) was undertaken as at 31 March 2016 and showed a deficit attributable to the group, before any tax relief, of £30.2 million. This triennial actuarial valuation was also used to determine the employer contributions for the three years commencing 1 April 2017. For the LPFA scheme, the scheme actuary set the group's future service contribution rate at 20.4% of pensionable pay for 2017/18 rising to 22.4% in 2018/19 and 24.4% in 2019/20 and the group agreed to make deficit repayments of £600,000 in 2017/18, £613,000 in 2018/19 and £627,000 in 2019/20.

Tax

The group has a tax charge of £0.5 million for the year ended 31 March 2017 (2016 — £0.3 million). The effective tax rate for the year ended 31 March 2017 was 22% (2016 — 34%) which is higher than the standard rate of UK corporation tax as a result of some expenses not being eligible for tax deduction. Note 10 to the financial statements shows further detail on the tax charge in the year.

Acquisitions

On 1 November 2016 the group acquired 100% of the share capital of Optimus Professional Publishing Limited, subsequently renamed Optimus Education Limited, for a total consideration of £1,641,000. Further details on the acquisition are set out in note 14 to the financial statements.

Balance sheet

The profit and loss account deficit at 31 March 2017 was £32.0 million (2016 — £23.7 million). The increased deficit in the year was primarily attributable to adverse movements on the group's pension deficit as explained above.

The group's total assets less current liabilities at 31 March 2017 were £19.4 million (2016 — £15.6 million).

Cash and bank facilities

At 31 March 2017 the group had a cash balance of £11.3 million (2016 — £9.1 million).

The movement in cash in the year is explained as follows:

	2017	2016
	£'000	£'000
Earnings before interest, tax, depreciation and amortisation	**4,472**	2,807
Working capital movements (excluding client funds)	**775**	(3,131)
Movement on client funds	**-**	(729)
Pension scheme payments (higher)/lower than the charge to profit	**(742)**	135
Capital expenditure net of fixed asset disposals	**(766)**	(494)
Acquisitions	**(988)**	(13)
Interest, tax and financing	**(561)**	(497)
Increase/(decrease) in cash in the year	**2,190**	(1,922)

During the year the group had a term loan facility from Santander UK PLC which was fully drawn down and committed until 30 March 2021. The group's net funds position, stated after the deduction of this bank debt, was £10.7 million at 31 March 2017 (2016 — £8.3 million).

During the year the group also had a £5 million revolving loan facility from Santander UK PLC committed until 31 July 2020. At 31 March 2017 no borrowings were drawn down under this facility by the group (2016 — nil). The group has comfortably satisfied all the financial covenants associated with the loan facilities during the year.

Subsequent to the balance sheet date, the Santander UK PLC term loan totalling £664,000 was repaid early and a new £7 million term loan repayable over 5 years and £4 million Revolving Credit Facility was agreed with the group's new principal banker, Clydesdale Bank PLC as part of the refinancing to support the group's acquisition of Homes 2 Inspire Limited on 2 June 2017.

Key performance indicators

The group monitors basic financial key performance indicators such as revenue, operating profit, adjusted earnings before interest, tax, depreciation and amortisation and adjusted profit before tax. It also closely monitors cash balances to ensure that working capital is efficiently managed to maintain the liquidity of the group.

The group also has many operational key performance indicators in the ordinary course of its business. These key performance indicators vary from contract to contract with some contracts containing elements of payment based on successful delivery of the key performance indicators. These contracts are managed by having regular review meetings with the contract managers to ensure that the resources being expended on delivering the contracts are generating the required outcomes and revenue.

Financial risk management objectives and policies

The group is exposed to financial risk through its financial assets and liabilities, such as loans, cash balances, pension liabilities, trade debtors and trade creditors that arise directly from its operations. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from the financial liabilities as they fall due. The most important components of financial risk to the group are interest rate risk, credit risk, liquidity risk and pension risk. Further details on these risks are set out in note 27 to the financial statements.
The Strategic report set out on pages 2 to 21 has been reviewed and approved by the Board of Directors on 26 September 2017.

Nick Bell
Chief Executive

Board and committees

Nick Bell
Chief Executive

Nick joined the group as Chief Executive in October 2014.

He has more than 20 years' experience working in local government including as Chief Executive of Staffordshire County Council, Deputy Chief Executive of Essex County Council, Director of Finance and Resources at Westminster City Council and Director of Finance at Bedfordshire County Council. He has previously held senior roles at the London Borough of Harrow and Cambridgeshire County Council too. Nick also has experience in the private sector and has developed a number of innovative, more commercial models of delivering public services.

Kevin Beerling
Group Finance Director and Deputy Chief Executive

Kevin joined the group as Group Finance Director in January 2006 and took on the additional role of Deputy Chief Executive from December 2014. He also serves as Company Secretary.

Kevin was previously Chief Financial Officer of Moneybox plc, an independent operator of cash machines and has held a number of senior finance roles in the private sector. He qualified as a chartered accountant in 1995 with Price Waterhouse and was admitted as a Fellow of the Institute of Chartered Accountants in England and Wales in 2006.

Brenda Cabras
Director of Employment and Skills

Brenda was appointed to the Board in January 2015. Brenda has been Director of Employment and Skills since 2007 and has held a number of senior operational and corporate roles since joining the group in 1997.

Brenda is a member of the National Work Programme Partnership Forum and serves as the group's main representative with the Employment Related Services Association, Association of Employers and Learning Providers and Business Services Association. Brenda is also a governor of a large Academy in Essex.

Alison Williams
Director of Young People and Families

Alison was appointed to the Board in January 2015. Alison has been Director of Young People and Families since 2005 and has held a number of senior operational and corporate roles since joining the group in 1999.

She has 25 years' experience of providing services to young people in formal and informal educational settings and has contributed to a number of strategic partnerships at sub-regional level to develop services for young people.

Ray Auvray
Non-Executive Chairman

Ray has been Non-Executive Chairman since January 2015 and is a member of the Audit and Risk Committee and the Remuneration and Nomination Committee. Previous to that, Ray had managed the group since it commenced trading in 1996 initially serving as Chief Executive until March 2008 and subsequently as Executive Chairman.

Before joining Prospects, Ray spent 11 years heading the London Borough of Havering Careers Service and has previously served as a Basildon District Councillor, Essex County Councillor and a member of the Essex Police Authority. He started his career as a teacher, before moving into the careers service and educational administration.

Paul McGee
Vice-Chairman and Senior Non-Executive Director

Paul was a founding director of the group in March 1995 and is the Vice-Chairman of the Board and Senior Non-Executive Director. Paul is a member of the Remuneration and Nomination Committee and the Audit and Risk Committee.

Paul has previously held the posts of Director of Education in the London Borough of Bexley and Chief Inspector of schools in the London Borough of Croydon. He is currently a trustee and director of two charities, Autism Wessex and Choice Support.

Lorraine Clinton
Non-Executive Director

Lorraine joined the group as a Non-Executive Director in January 2016. She is Chair of the Remuneration and Nomination Committee and a member of the Audit and Risk Committee.

Lorraine spent twenty years with Pilkington plc where she held several key executive board positions including European Commercial Director and Director of Architecture and Glazing. She has previously operated many diverse non-executive roles such as Chair of Audit at the Department of Social Development in Northern Ireland and Chair of Remuneration and Nominations at the Agriculture and Horticulture Development Board.

Lorraine is now a non-executive director and Chair of Remuneration at Entu plc, Chair of the MLC pension scheme and a founder and director of Clinton Consultants Ltd.

Christine Gilbert CBE
Non-Executive Director

Christine joined the group as a Non-Executive Director on 1 April 2017 and is a member of the Remuneration and Nomination Committee.

Christine is currently Visiting Professor at UCL Institute of Education and was previously Her Majesty's Chief Inspector at Ofsted. She has also been a teacher, a secondary headteacher, a director of education and a local authority Chief Executive in two London boroughs. She is currently involved in a range of education projects, including Executive Chair of the charity Future First, Chair of Camden Learning, a school company which has practitioners driving improvement and chairing Knowsley's Education Commission.

Christine received a CBE in 2006 for services to education and local government.

Malcolm Iley
Non-Executive Director

Malcolm joined the group as a Non-Executive Director in May 2001 and is a member of the Audit and Risk Committee and the Remuneration and Nomination Committee.

Malcolm was a senior lawyer, then corporate chief officer in several local authorities, including Plymouth and Leeds City councils, adviser to national government bodies and was head of several leading city law firm public and projects departments, culminating in being a senior equity partner and more recently a consultant with Trowers & Hamlins LLP.

He has been a governor in the schools, further and higher education sectors, and adviser to private sector contractors in the education and public services supply sector.

Brian Rowbotham
Non-Executive Director

Brian joined the group as a Non-Executive Director in January 2005. He is Chairman of the Audit and Risk Committee and a member of the Remuneration and Nomination Committee.

Brian is a Fellow of the Institute of Chartered Accountants in England and Wales, having qualified with Touche Ross & Co and has previously held directorships at F&C Management, Teather & Greenwood and Hichens Harrison & Co.

He is currently Senior Independent Non-Executive Director of Rurelec PLC, an AIM listed international utility focused on the development and ownership of power generation, Non-Executive Chairman of Hot Rocks Investments Plc and a Non-Executive Director of Andean Mining Corporation Ltd.

Committees

Audit and Risk Committee

Brian Rowbotham (Chair)
Non-Executive Director

Ray Auvray
Non-Executive Chairman

Lorraine Clinton
Non-Executive Director

Malcolm Iley
Non-Executive Director

Paul McGee
Vice-Chairman and Senior Non-Executive Director

Remuneration and Nomination Committee

Lorraine Clinton (Chair)
Non-Executive Director

Ray Auvray
Non-Executive Chairman

Christine Gilbert
Non-Executive Director

Malcolm Iley
Non-Executive Director

Paul McGee
Vice-Chairman and Senior Non-Executive Director

Brian Rowbotham
Non-Executive Director

Corporate governance report

Board of Directors

During the year the Board comprised nine directors, of which four were Executive directors and five were Non-Executive directors. Christine Gilbert joined the Board as an additional Non-Executive Director on 1 April 2017. Biographies of the directors are shown on pages 22 to 23 and these reflect a balance of skills and experience relevant to the group's principal markets and customers.

Paul McGee is, and was throughout the year, the Senior Non-Executive Director to whom concerns can be conveyed by shareholders if these have not been resolved through other channels.

The Board meets at least six times per annum and is responsible for overall group strategy, acquisitions, budget approval and the management of performance against budget and consideration of other significant financial or operational matters.

The Non-Executive Chairman, Ray Auvray, is responsible for the running of the Board and he ensures that all directors receive sufficient, accurate and timely information on financial, operational and corporate matters prior to each Board meeting.

The Board is responsible for ensuring the integrity of financial information and that the financial controls and systems of risk management are robust and appropriate to safeguard the group's assets.

Audit and Risk Committee

The Audit and Risk Committee is appointed by the Board from the Non-Executive directors and operates under terms of reference approved by the Board. The Audit and Risk Committee Chairman is Brian Rowbotham, who is a chartered accountant with recent financial experience. The Chief Executive, Group Finance Director and Company Risk Officer attend meetings at the invitation of the Committee. The Committee met twice during the year and the external auditor was represented at both meetings.

The Audit and Risk Committee is responsible for:

- monitoring the integrity of the group's financial reporting and reviewing significant financial judgements contained therein;
- reviewing reports from the auditor relating to the financial statements and internal control systems;
- reviewing the independence and objectivity of the external auditor, the audit strategy and the effectiveness of the audit process; and
- reviewing the group's risk register and the effectiveness of the group's safeguarding policy.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee is appointed by the Board from the Non-Executive directors and operates under terms of reference approved by the Board. The role of the Remuneration and Nomination Committee includes:

- setting the scale and structure of the remuneration of the Executive Directors and the basis of their service agreements;
- reviewing the Board's structure and balance of skills, knowledge and experience required of the Board;
- identifying and nominating, for the approval of the Board, candidates to fill Board vacancies; and
- considering succession planning.

Relations with shareholders

The Board is keen to promote two-way communications with its shareholders, a significant proportion of whom are also current employees. Over the last year, shareholders have received a copy of the group's annual report and accounts, notice of Annual General Meeting (AGM) and a copy of the Chairman's AGM statement

Internal control

The Board reviews risks facing the business on a regular basis and is committed to maintaining a control-conscious culture throughout the group whilst not stifling innovation and enabling senior managers with the autonomy to manage and develop their business units. To achieve this goal investment has been made in implementing risk management software designed to support the central management of risk at both a local and corporate level while meeting managers' goals and objectives.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives in addition to providing reasonable but not absolute assurance against material misstatement or loss. These procedures have been in place during the financial year and up to the date of approval of the financial statements.

The key procedures include:

- a detailed budgeting system which includes an annual budget approved by the Board. Monthly actual results are reported against the annual budget and revised forecasts are prepared as necessary;
- financial policies and procedures which senior managers are responsible for ensuring that all relevant employees are familiar with their application;
- appointing experienced and suitably qualified employees to take responsibility for key business functions to ensure maintenance of high standards of performance; and
- appraisal and approval of proposed acquisitions, disposals, major contracts and new business development by the Board.

The group has an internal audit function which has unrestricted access to all financial and operational areas of the group's business including assuring the due diligence risks of supply chain partners. The annual internal audit plan is agreed with the Audit and Risk Committee and the Company Risk Officer provides an internal audit progress report at each Audit and Risk Committee meeting. The group also has a clear written confidential disclosure (whistleblowing) policy, an anti-fraud, corruption and bribery policy, conflict of interest and procurement framework policies which have been communicated to all employees.

Going concern

The directors have reviewed the group's budget for the year ending 31 March 2018 and the projections for the period to 31 March 2020 and based on normal business planning and control procedures, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Directors' report

Annual report and accounts

The directors present their annual report and financial statements of the group for the year ended 31 March 2017.

The Strategic report on pages 2 to 21 provides information on the activities during the year and likely future developments.

Results

The audited financial statements of the group for the year ended 31 March 2017 are set out on pages 30 to 58 and the Financial review is contained on pages 18 to 21. The group profit for the year after taxation was £1,842,000 (2016 — £558,000). No dividend was paid or proposed for the year.

Capital structure

Details of the authorised and issued share capital are shown in note 21. The company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote in any circumstances. Each share has equal rights to dividends and is entitled to participate in a distribution arising from a winding up of the company.

The articles of association of the company state that unless the directors otherwise agreed, no shares could be transferred by a shareholder prior to 30 September 2013 with the exception of transfers of shares to and from the trustees of an employee benefit trust established by the company.

The articles of association contain provisions in respect of the compulsory transfer of shares in certain circumstances, for example if a shareholder ceased to be an employee of the group by reason of resignation prior to 30 September 2013 or as a result of such individual being summarily dismissed. The articles of association also contain tag rights and drag rights applicable in circumstances where there is a sale of a majority or all of the shares in issue.

In accordance with the articles of association, after 30 September 2013 the directors may from time to time specify periods of time in which shares may be transferred and the process by which shares may be offered for sale and offers made to purchase shares. No person has any special rights of control over the company's share capital and all issued shares are fully paid.

During the year 35,500 ordinary shares of £0.01 each were acquired by the employee benefit trust from employees or former employees for an aggregate consideration of £21,355. The number of shares held by the employee benefit trust at 31 March 2017 represented 14.5% of the called-up share capital.

Directors

The directors of the company are listed on pages 22 to 23.

The beneficial interests of the directors in the ordinary shares of the company are set out below:

	31 March 2017	31 March 2016
Ray Auvray	**409,925**	409,925
Kevin Beerling	**203,925**	203,925
Nick Bell	**121,000**	121,000
Brenda Cabras	**72,650**	72,650
Lorraine Clinton	**-**	-
Malcolm Iley	**25,000**	25,000
Paul McGee	**30,000**	30,000
Brian Rowbotham	**60,000**	60,000
Alison Williams	**72,400**	72,400

There have been no changes in directors' interests in ordinary shares since 31 March 2017.

Directors' indemnity insurance

The company maintains directors' and officers' liability insurance which gives appropriate cover for any legal action brought against its directors. In accordance with section 236 of the Companies Act 2006, qualifying third party indemnity provisions are in place for the directors and company secretary in respect of liabilities incurred as a result of their office, to the extent permitted by law.

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws), including FRS 102 'The Financial Reporting Standard applicable in the United Kingdom 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 the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and group 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.

The directors confirm that:

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

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

Employment policies

We are a people-based business and an employee owned company. We seek to attract, develop and retain high calibre staff to ensure the delivery of a high quality service to our customers.

Employee consultation

The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through formal and informal meetings, a weekly electronic newsletter and the company magazine. We have an active Employee Council which is a representative body of employees elected to function as a voice for and on behalf of all group employees. It embraces employee ownership by enhancing employee engagement which supports quality decision-making, communication and reduces resistance to change. The Employee Council meet regularly with the Board and senior leadership team to discuss matters affecting their current and future interests.

Equalities, diversity and inclusion

Prospects holds the Leaders in Diversity accreditation and in March 2017 won the National Centre for Diversity UK Large Business of the Year Award.

The group aims to be a champion of equality and diversity and is committed to ensuring equality of opportunity in all of its activities and to challenging and eradicating discrimination. As one of our core values, promoting diversity is explicitly placed at the heart of all that we do and our termly Voice publication showcases some of the great work Prospects is doing in equalities, diversity and inclusion and includes related external news. The circulation of the publication is aimed at all Prospects staff and partner organisations in our supply chain.

As an employer, we are committed to promoting equality, diversity and inclusion throughout the group by valuing and encouraging diversity in our workforce and providing equality of opportunity for all. We are committed to delivering best practice in relation to our obligations under the Equality Act 2010. We work to ensure our employees and job applicants are treated equally regardless of their sex, race, ethnicity, disability, age, religion or belief, sexual or gender orientation. The group's commitment to equality, diversity and inclusion is reflected in all our recruitment and employment policies, practices and procedures.

As a service provider, we are committed to promoting equality, diversity and inclusion as an integral part of all our services. We aim to provide services which are responsive and accessible to all, meet the needs of the protected groups and enable our service users to fulfil their potential free from discrimination of any kind. As a contractor of services, we will work only with organisations that can demonstrate a clear equality commitment to their workforce and service users.

Disabled employees

Prospects is accredited as a Disability Confident Employer. Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Health and safety

The group is committed to safeguarding the health, safety and welfare of its employees and recognises its responsibilities for the health and safety of others who may be affected by its activities.

Environmental policies

The group recognises that the wise use of resources delivers both environmental and financial benefits. As part of our overall approach to corporate social responsibility we aim to promote the maintenance of a healthy environment through responsible and sustainable consumption. The group has demonstrated its commitment to environmental management systems, and is currently widening the score of its sustainability work, by aligning with ISO 26000 within which environmental responsibility is one of the five key criteria. Our corporate head office in Bromley is also accredited to the ISO 14001:2004 standard.

Auditor

Grant Thornton UK LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the next Annual General Meeting.

Approved by the Board of Directors and signed on its behalf by:

Kevin Beerling
Company Secretary

26 September 2017

We have audited the financial statements of Prospects Group 2011 Limited for the year ended 31 March 2017 which comprise the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated and parent company balance sheets, the consolidated and parent company statements of changes in equity, the consolidated and parent company statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement set out on page 27, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2017 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Grant Thornton UK LLP

Fiona Baldwin
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP,
Statutory Auditor, Chartered Accountants
Milton Keynes

26 September 2017

Consolidated profit and loss account

	Note	Year ended 31 March 2017 £'000 Before exceptionals	Year ended 31 March 2017 £'000 Exceptional items (note 8)	Year ended 31 March 2017 £'000 Total	Year ended 31 March 2016 £'000 Total
Turnover	5	**80,036**	**-**	**80,036**	75,708
Cost of sales		**(61,110)**	**(235)**	**(61,345)**	(59,341)
Gross profit		**18,926**	**(235)**	**18,691**	16,367
Administrative expenses		**(15,147)**	**-**	**(15,147)**	(14,419)
Operating profit	6	**3,779**	**(235)**	**3,544**	1,948
Earnings before interest, tax, depreciation and amortisation		**4,707**	**(235)**	**4,472**	2,807
Depreciation and amortisation		**(928)**	**-**	**(928)**	(859)
Share of associate's operating profit	13	**103**	**-**	**103**	85
Profit on ordinary activities before interest expense		**3,882**	**(235)**	**3,647**	2,033
Net interest expense	9	**(1,281)**	**-**	**(1,281)**	(1,185)
Profit on ordinary activities before taxation		**2,601**	**(235)**	**2,366**	848
Taxation	10	**(664)**	**140**	**(524)**	(290)
Profit for the financial year		**1,937**	**(95)**	**1,842**	558
Profit for the financial year attributable to:					
Non-controlling interests	22	**-**	**-**	**-**	-
Owners of the parent company		**1,937**	**(95)**	**1,842**	558
		1,937	**(95)**	**1,842**	558

All of the activities of the group are classified as continuing.

The accompanying notes form part of these financial statements

Consolidated statement of comprehensive income

	Note	**Year ended 31 March 2017 £'000**	Year ended 31 March 2016 £'000
Profit for the financial year		**1,842**	558
Other comprehensive income:			
Remeasurement of net defined benefit obligation	20	**(11,828)**	(863)
Currency translation differences on consolidation of overseas subsidiary		**5**	(4)
Total tax on components of other comprehensive income	10	**1,625**	(573)
Other comprehensive loss for the year, net of tax		**(10,198)**	(1,440)
Total comprehensive loss for the year		**(8,356)**	(882)
Total comprehensive loss for the financial year attributable to:			
Non-controlling interests		**-**	-
Owners of the parent company		**(8,356)**	(882)
		(8,356)	(882)

The accompanying notes form part of these financial statements

Consolidated balance sheet

	Note	At 31 March 2017 £'000	At 31 March 2017 £'000	At 31 March 2016 £'000	At 31 March 2016 £'000
Fixed assets					
Intangible assets	11		**1,878**		202
Tangible assets	12		**4,182**		4,254
Associates	13		**240**		151
			6,300		4,607
Current assets					
Stocks	15	**63**		50	
Debtors:	16				
amounts falling due within one year		**11,566**		9,076	
amounts falling due after more than one year		**8,666**		7,020	
		20,232		16,096	
Cash at bank and in hand		**11,338**		9,148	
		31,633		25,294	
Creditors: amounts falling due within one year	18	**(18,573)**		(14,347)	
Net current assets			**13,060**		10,947
Total assets less current liabilities			**19,360**		15,554
Creditors: amounts falling due after more than one year	19		**498**		664
Post-employment benefits	20		**50,874**		38,525
Share capital	21	**24**		24	
Other reserves		**(14)**		7	
Profit and loss account		**(32,022)**		(23,666)	
Equity attributable to owners of the parent			**(32,012)**		(23,635)
Non-controlling interests	22		**-**		-
Capital employed			**19,360**		15,554

These financial statements were approved by the Board of Directors on 26 September 2017 and are signed on their behalf by:

J N Bell
Director

K M Beerling
Director

Company No: 07708678

The accompanying notes form part of these financial statements

Company balance sheet

	Note	At 31 March 2017 £'000	At 31 March 2017 £'000	At 31 March 2016 £'000	At 31 March 2016 £'000
Fixed assets					
Investments	13		**-**		-
Current assets					
Cash at bank and in hand		**8**		8	
Creditors: amounts falling due within one year	18	**(975)**		(954)	
Net current liabilities			**(967)**		(946)
Total assets less current liabilities			**(967)**		(946)
Share capital	21	**24**		24	
Other reserves		**(14)**		7	
Profit and loss account		**(977)**		(977)	
Equity attributable to owners of the parent			**(967)**		(946)
Capital employed			**(967)**		(946)

These financial statements were approved by the Board of Directors on 26 September 2017 and are signed on their behalf by:

J N Bell
Director

K M Beerling
Director

Company No: 07708678

The accompanying notes form part of these financial statements

Consolidated statement of changes in equity

	Share capital	Other reserves	Profit and loss account	Total
	£'000	£'000	£'000	£'000
At 1 April 2015	24	53	(22,784)	(22,707)
Profit for the financial year	-	-	558	558
Other comprehensive loss for the year	-	-	(1,440)	(1,440)
Total comprehensive income for the year	-	-	(882)	(882)
Increase in investment in own company shares	-	(46)	-	(46)
At 31 March 2016	24	7	(23,666)	(23,635)
Profit for the financial year	-	-	1,842	1,842
Other comprehensive loss for the year	-	-	(10,198)	(10,198)
Total comprehensive income for the year	-	-	(8,356)	(8,356)
Increase in investment in own company shares	-	(21)	-	(21)
At 31 March 2017	**24**	**(14)**	**(32,022)**	**(32,012)**

Company statement of changes in equity

	Share capital	Other reserves	Profit and loss account	Total
	£'000	£'000	£'000	£'000
At 1 April 2015	24	53	(977)	(900)
Profit for the financial year	-	-	-	-
Increase in investment in own company shares	-	(46)	-	(46)
At 31 March 2016	24	7	(977)	(946)
Profit for the financial year	-	-	-	-
Increase in investment in own company shares	-	(21)	-	(21)
At 31 March 2017	**24**	**(14)**	**(977)**	**(967)**

The accompanying notes form part of these financial statements

Consolidated statement of cash flows

	Note	**Year ended 31 March 2017 £'000**	Year ended 31 March 2016 £'000
Net cash flow from operating activities	24	**4,505**	(918)
Taxation		**(356)**	(249)
Net cash generated by/(used in) operating activities		**4,149**	(1,167)
Cash flow from investing activities			
Purchase of intangible assets		**(157)**	-
Purchase of tangible assets		**(622)**	(494)
Proceeds from disposal of tangible assets		**13**	-
Purchase of subsidiary (net of cash acquired)	14	**(988)**	-
Payment of deferred consideration for subsidiary	14	**-**	(13)
Interest received		**37**	52
Net cash used in investing activities		**(1,717)**	(455)
Cash flow from financing activities			
Repayment of bank loan		**(166)**	(166)
Interest paid		**(55)**	(88)
Decrease in EBT cash reserves		**(21)**	(46)
Net cash used in financing activities		**(242)**	(300)
Net increase/(decrease) in cash and cash equivalents		**2,190**	(1,922)
Cash and cash equivalents at the beginning of the year		**9,148**	11,070
Cash and cash equivalents at the end of the year		**11,338**	9,148
Cash and cash equivalents consist of:			
Cash at bank and in hand		**11,338**	9,148

The accompanying notes form part of these financial statements

Company statement of cash flows

	Note	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Net cash flow from operating activities	24	**21**	1
Taxation		**-**	-
Net cash generated by operating activities		**21**	1
Cash flow from investing activities			
Interest received		**-**	-
Net cash used in investing activities		**-**	-
Cash flow from financing activities			
Interest paid		**-**	-
Decrease in EBT cash reserves		**(21)**	(46)
Net cash used in financing activities		**(21)**	(46)
Net decrease in cash and cash equivalents		**-**	(45)
Cash and cash equivalents at the beginning of the year		**8**	53
Cash and cash equivalents at the end of the year		**8**	8
Cash and cash equivalents consist of:			
Cash at bank and in hand		**8**	8

The accompanying notes form part of these financial statements

1 Company information

Prospects Group 2011 Limited ("the company") and its subsidiaries (together "the group") operate from a number of offices throughout the UK and also through offices in Dubai and China.

The pricipal activity of the group is the provision of tailored education, employment, training and care products and services.

The company is a private company limited by shares, incorporated in England and Wales. The registered office is situated at Prospects House, 19 Elmfield Road, Bromley, Kent BR1 1LT.

2 Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 —'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis.

The financial statements are presented in Sterling (£'000).

The group financial statements consolidate the financial statements of the company and all its subsidiary undertakings drawn up to 31 March each year.

The company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The company's profit for the year was £nil (2016: £nil).

Going concern

The directors have reviewed the group's budget for the year ending 31 March 2018 and the projections for the period to 31 March 2020 and based on normal business planning and control procedures, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

3 Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Fair values on acquisition of Optimus Professional Publishing Limited ('Optimus') (notes 11 and 14)

The fair value of intangible assets acquired on the acquisition of Optimus involved the use of valuation techniques and the estimation of future cash flows to be generated over a number of years. The estimation of the fair values requires a combination of assumptions including revenue growth, sales mix and volumes and customer attrition rates. In addition the use of discount rates requires judgement.

Impairment of goodwill and other intangible assets (note 11)

The group considers whether goodwill or other intangible assets are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of cash generating units (CGUs). This requires estimation of future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

3 Significant judgements and estimates (continued)

Post-employment benefits (note 20)

The group has obligations to pay pensions under defined benefit pension schemes to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors including, having taken professional advice, life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

In addition, in the event of a pension surplus on a defined benefit pension scheme, that is an excess of the market value of assets over the present value of a pension scheme's liabilities, a judgement is made as to whether a future refund of contributions would be made by the particular pension scheme, and a surplus only recognised where such refund is expected with a high degree of certainty.

Recognition of equity minority interest (note 22)

The group has reviewed the equity minority interest which arose in the year ended 31 March 2016 from the dilution of the group's interest in Gabbitas Limited and the attributable share of net liabilities at the time of the dilution and subsequent losses. As there is no contractual requirement or expectation of the minority shareholders in Gabbitas Limited to fund their share of the net liabilities or losses, a judgement has been made to continue establishing an equivalent provision such that the equity minority interest balance at 31 March 2017 is reduced to £nil (2016: £nil).

4 Principal accounting policies

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree plus costs directly attributable to the business combination.

Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities is recognised as goodwill. If the net fair value of the identifiable assets and liabilities exceeds the cost of the business combination the excess is recognised separately on the face of the consolidated balance sheet immediately below goodwill.

Investment in subsidiaries and basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the group (its subsidiaries). Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the profit and loss account and total comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate using accounting policies consistent with those of the parent. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investments in subsidiaries are accounted for at cost less impairment in the company's financial statements. Details of subsidiaries consolidated within the group accounts are given in note 13.

Investment in associates

Investments in associates are recognised initially in the consolidated balance sheet at the transaction price and subsequently adjusted to reflect the group's share of total comprehensive income and equity of the associate, less any impairment.

4 Principal accounting policies (continued)

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition, although treated as goodwill, is presented as part of the investment in the associate. Amortisation is charged so as to allocate the cost of goodwill over its estimated useful life, on a straight line basis. Losses in excess of the carrying amount of an investment in an associate are recorded as a provision only when the company has incurred legal or constructive obligations or has made payments on behalf of the associate.

Investments in associates are accounted for at cost less impairment in the company's financial statements.

Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated, using the straight-line method, to write down the value of the intangible assets over their expected useful economic lives, as follows:

Goodwill	-	5 to 10 years
Website design	-	3 to 4 years
Customer relationships	-	5 years

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities, is capitalised and amortised on a straight line basis over its expected useful economic life. Impairment reviews are carried out to ensure that goodwill is not carried at above its recoverable amount.

Any amortisation or impairment write-downs are charged to the profit and loss account.

If there is an indication that there has been a significant change in amortisation rate or residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

If the net fair value of the identifiable assets and liabilities acquired exceeds the cost of a business combination, the excess up to the fair value of non-monetary assets acquired is recognised in profit or loss in the periods in which the non-monetary assets are recovered. Any excess exceeding the fair value of non-monetary assets acquired is recognised in profit or loss in the periods expected to be benefitted.

Tangible fixed assets

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, on a straight line basis over its expected useful life as follows

Freehold properties	-	50 years
Leasehold properties	-	over the period of the lease
Plant and machinery, fixtures and fittings	-	2 to 5 years

Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4 Principal accounting policies (continued)

Investment in own shares

The group operates an employee benefit trust administered by Estera Trust (Jersey) Limited. The assets and liabilities of the trust are recognised in the financial statements to reflect the fact that the group has de facto control over the assets.

The cost of shares purchased by the employee benefit trust, together with any gains or losses arising on disposal of shares, are included in other reserves.

Stocks

Stocks are stated at the lower of cost, using the first in first out method, and selling price less costs to complete and sell.

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.

Creditors

Short term trade 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.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the group. All other leases are classified as operating leases. The group currently has no finance leases.

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the group recognises annual rent expense equal to amounts owed to the lessor.

The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is recognised when income or expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:

- the group is able to control the reversal of the timing difference; and
- it is probable that the timing difference will not reverse in the foreseeable future.

4 Principal accounting policies (continued)

A deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of assets and liabilities that are recognised in a business combination. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the group has a legally enforceable right to set off current tax assets against current tax liabilities, and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

Foreign currency translation

Functional currency and presentation currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position are presented in Sterling (£'000).

Transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the functional currency of the individual entities (foreign currencies) are recognised at the spot rate at the dates of the transactions, or at an average rate where this rate approximates the actual rate at the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise. However, in the consolidated financial statements exchange differences arising on monetary items that form part of the net investment in a foreign operation are recognised in other comprehensive income and are not reclassified to profit or loss.

Translation of group companies

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are translated from their functional currency to Sterling (£) using the closing exchange rate. Income and expenses are translated using the average rate for the month in which the transaction occurred. Exchange differences arising on the translation of group companies are recognised in other comprehensive income and are not reclassified to profit or loss.

Turnover

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes. Turnover includes revenue earned from the rendering of services and from the sale of goods.

The group recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the group retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably and (d) it is probable that future economic benefits will flow to the entity.

4 Principal accounting policies (continued)

Revenue on service-based contracts is recognised as services are provided. Where the group has received consideration under the terms of a contract in advance of performing the related service or delivering the associated goods, revenue is deferred until the relevant contractual commitment has been fulfilled. An expected loss on a contract is recognised immediately in the profit and loss account.

Exceptional items

Exceptional items are material items which derive from events or transactions that fall outside the ordinary activities of the group and which individually or, if of a similar type, in aggregate, need to be disclosed by virtue of their size or incidence if the financial statements are to give a true and fair view.

The separate reporting of exceptional items helps to provide a better indication of the group's underlying business performance.

Employee benefits

Short term benefits

Short term employee benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Defined contribution pension plan

The group operates a defined contribution pension plan for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Once the contributions have been paid the group has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the group in independently administered funds.

Defined benefit pension plan

The group operates some defined benefit pension plans for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including 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 reporting date less the fair value of the plan assets at the reporting date.

The defined benefit obligation is calculated using the projected unit credit method. Annually the group 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 group'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 obligation".

The cost of the defined benefit plan, recognised in profit or loss as employee costs comprises:

a) the increase in 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 "Net interest expense".

4 Principal accounting policies (continued)

Equity minority interest

Minority interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's share of changes in equity are allocated against the interests of the group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

5 Turnover

Turnover is derived from a single business segment, being the provision of education, employment, training and care products and services, and arises substantially within the United Kingdom.

6 Operating profit

Operating profit is stated after charging	**2017**	2016
	£'000	£'000
Auditor's remuneration:		
Fees payable to the company's auditor for the audit of the company's annual accounts	**6**	5
Fees payable to the company's auditor and its associates for other services:		
- Audit of the accounts of subsidiaries	**57**	66
- Tax compliance services	**21**	25
- All other services	**9**	11
Depreciation of tangible fixed assets	**683**	749
Amortisation and impairment of intangible assets	**245**	110
Profit on disposal of fixed assets	**(2)**	-
Operating lease charges	**1,695**	1,631

In addition, fees totalling £115,000 were payable to the company's auditor in the year (2016: £nil) in respect of corporate finance and tax advisory services on acquisitions which were completed either during the year or since the balance sheet date.

7 Directors and employees

Staff costs, including directors' remuneration, consist of:

	2017	2016
	£'000	£'000
Wages and salaries	**37,756**	35,727
Social security costs	**3,449**	3,107
Other pension costs	**3,064**	4,151
	44,269	42,985

7 Directors and employees (continued)

The average monthly number of full time equivalent persons employed by the group, including executive directors, was:

	2017 Number	2016 Number
Direct delivery and contract support staff	**1,111**	1,057
Central administrative support staff	**108**	113
	1,219	1,170

The total amounts for directors' remuneration and other benefits were as follows:

	2017 £'000	2016 £'000
Emoluments	**887**	810
Defined contribution scheme pension payment	**-**	18
Defined benefit scheme pension payment	**48**	46
	935	874

The group made no contributions (2016: £18,045) to defined contribution pension schemes on behalf of any directors (2016: one director).

The group made a contribution of £47,633 (2016: £45,621) to a defined benefit pension scheme on behalf of two directors (2016: two directors).

The total emoluments of the highest paid director amounted to £251,902 (2016: £231,863). Pension contributions totalling £nil were made in respect of the highest paid director (2016: £nil).

On 18 February 2015 the group made an interest free unsecured loan of £10,000 to the Chief Executive, Nick Bell. The loan is repayable in equal monthly instalments over a period of four years. The maximum liability outstanding during the year was £7,292 and the amount owing at 31 March 2017 was £4,792 (2016: £7,292).

Key management includes the directors and members of executive leadership team. The compensation paid or payable to key management for employee services is shown below.

	2017 £'000	2016 £'000
Emoluments	**1,527**	1,442
Post-employment benefits	**85**	106
	1,612	1,548

8 Exceptional items

	Cost of sales 2017 £'000	Administrative expenses 2017 £'000	Total 2017 £'000	Cost of sales 2016 £'000	Administrative expenses 2016 £'000	Total 2016 £'000
Restructuring costs	**735**	**-**	**735**	-	-	-
Defined benefit pension scheme settlement gain	**(500)**	**-**	**(500)**	-	-	-
	235	**-**	**235**	-	-	-

Restructuring costs
Restructuring costs totalling £735,000 were incurred in the year to reduce headcount as a result of reduced contract values.

Defined benefit pension scheme settlement gain
A settlement gain of £0.5 million arose during the year on a defined benefit pension scheme in respect of a bulk transfer of former employees' pension liabilities out of the group's defined benefit pension scheme to a comparable arrangement with their new employer following a TUPE transfer.

9 Net interest expense

	2017 £'000	2016 £'000
(a) Interest receivable and similar income		
Bank interest received	**37**	52
Total interest income on financial assets not measured at fair value through profit or loss	**37**	52
Total interest receivable and similar income	**37**	52

	2017 £'000	2016 £'000
(b) Interest payable and similar charges		
Interest expense on bank loans and revolving facility	**(55)**	(88)
Total interest expense on financial assets not measured at fair value through profit or loss	**(55)**	(88)
Net interest expense on post-employment benefits (note 20)	**(1,263)**	(1,149)
Total interest payable and similar charges	**(1,318)**	(1,237)

	2017 £'000	2016 £'000
(c) Net interest expense		
Interest receivable and similar income	**37**	52
Interest payable and similar charges	**(1,318)**	(1,237)
Net interest expense	**(1,281)**	(1,185)

10 Taxation

The tax charge is based on the profit for the year and represents:

	2017 £'000	2016 £'000
UK corporation tax	**674**	199
Amounts in respect of prior periods	**(7)**	(33)
Total current tax	**667**	166
Deferred taxation: origination and reversal of timing differences	**(210)**	7
Deferred taxation: changes in tax rates	**58**	81
Deferred taxation: amounts in respect of prior periods	**9**	36
Total deferred tax	**(143)**	124
Tax on results of ordinary activities	**524**	290
Total tax charge		
Before exceptional items	**664**	290
Exceptional items	**(140)**	-
	524	290

The tax assessed for the year is higher than the standard rate of corporation tax in the United Kingdom at 20% (2016: 20%). The differences are explained as follows:

	2017 £'000	2016 £'000
Profit on ordinary activities before taxation	**2,366**	848
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20% (2016: 20%)	**473**	170
Expenses not deductible for tax purposes	**63**	56
Movement in unprovided deferred tax	**(72)**	(20)
Adjustments in respect of prior periods (current tax)	**(7)**	(33)
Adjustments in respect of prior periods (deferred tax)	**9**	36
Deferred taxation: changes in tax rates	**58**	81
Tax on results of ordinary activities	**524**	290

The aggregate current and deferred tax credit relating to items that are recognised as items of other comprehensive income is £1,625,000 (2016: charge £573,000).

Following Budget 2016 announcements, there will be reductions in the main rate of corporation tax to 18% from 1 April 2017 and to 17% from 1 April 2018.

11 Intangible assets

Group

	Goodwill	Website design	Customer relationships	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2016	6,624	-	-	**6,624**
Additions (note 14)	1,266	157	-	**1,423**
Acquisitions (note 14)	-	191	307	**498**
At 31 March 2017	7,890	348	307	**8,545**
Amortisation and impairment				
At 1 April 2016	6,422	-	-	**6,422**
Charge for the year	162	57	26	**245**
At 31 March 2017	6,584	57	26	**6,667**
Net book value				
At 31 March 2017	**1,306**	**291**	**281**	**1,878**
At 31 March 2016	202	-	-	202

12 Tangible fixed assets

Group

	Land and buildings	Plant, machinery, fixtures and fittings	Total
	£'000	£'000	£'000
Cost			
At 1 April 2016	5,668	3,965	**9,633**
Additions	94	528	**622**
Disposals	(159)	(931)	**(1,090)**
At 31 March 2017	5,603	3,562	**9,165**
Depreciation			
At 1 April 2016	2,188	3,191	**5,379**
Charge for the year	154	529	**683**
Disposals	(156)	(923)	**(1,079)**
At 31 March 2017	2,186	2,797	**4,983**
Net book value			
At 31 March 2017	**3,417**	**765**	**4,182**
At 31 March 2016	3,480	774	4,254

12 Tangible fixed assets (continued)

The net book value of land, included in land and buildings above, comprises:

	2017	2016
	£'000	£'000
Freehold	**1,109**	1,109
Long leasehold	**341**	389
Carrying amount	**1,450**	1,498

All tangible assets are pledged as security for the group's bank loan and revolving credit facility.

13 Fixed asset investments

Total fixed asset investments comprise:

	Group		**Company**	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Subsidiary undertakings	-	-	-	-
Associate	**240**	151	-	-
	240	151	-	-

Investments in subsidiary undertakings

	Company
	£'000
Cost	
At 1 April 2016 and at 31 March 2017	-

Investment in associate

	Group		**Company**	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Share of net assets/cost				
At 1 April	**151**	78	-	-
Additions	-	-	-	-
Share of operating profit	**103**	85	-	-
Share of corporation tax	**(14)**	(12)	-	-
Share of retained profit for the year	**89**	73	-	-
At 31 March	**240**	151	-	-

13 Fixed asset investments (continued)

At 31 March 2017 the group undertakings were:

Name	Country of incorporation	Interest and proportion of voting rights	Activities
Prospects Services (Midco) Limited[1]	England and Wales	100%	Holding company
Prospects Services	England and Wales	100%	Education, employment, training and care products and services
Prospects Distribution Services Limited	England and Wales	100%	Educational resources
Gabbitas Educational Consultants Limited[2]	England and Wales	87.2%	Educational services
Optimus Education Limited (formerly Optimus Professional Publishing Limited)	England and Wales	100%	Educational services
Gabbitas, Truman and Thring Educational Trust	England and Wales	100%	Registered charity
Gabbitas (Shanghai) Consulting Service Co. Limited[2]	China	87.2%	Consultancy services
3BM Limited[1]	England and Wales	24.9%	Educational services
Careers Yorkshire and the Humber Limited[3]	England and Wales	33.3%	Adult guidance
Prospects Education Services Limited[1]	England and Wales	100%	Holding company
Gabbitas Limited[1]	England and Wales	87.2%	Holding company
CF Appointments Limited	England and Wales	100%	Dormant
Prospects Recruitment Services Limited	England and Wales	100%	Dormant
Prospects Global Services Limited[1]	England and Wales	100%	Dormant
Prospects Newco Limited[1]	England and Wales	100%	Dormant

[1] Investment held directly by Prospects Group 2011 Limited.
[2] Group's effective interest as a subsidiary of Gabbitas Limited.
[3] Results and assets are not material to the group.

14 Business combinations and deferred consideration

On 1 November 2016, the group acquired 100% of the share capital of Optimus Professional Publishing Limited for total consideration of £1,641,000. On 9 December 2016 Optimus Professional Publishing Limited changed its name to Optimus Education Limited.

Management have estimated the value of the customer base acquired and recognised this as an intangible asset with an estimated useful life of 5 years. Management have estimated the useful life of the goodwill of £1,266,000 arising on acquisition to be 10 years.

The following tables summarise the consideration paid by the Group and the fair value of assets acquired and liabilities assumed at the acquisition date.

Consideration at 1 November 2016

	£'000
Cash	**1,564**
Directly attributable costs	**77**
Total consideration	**1,641**

For cash flow disclosure purposes the amounts are disclosed as follows:

Cash consideration	**1,641**
Less: Cash acquired	**(653)**
Net cash outflow	**988**

14 Business combinations and deferred consideration (continued)

Recognised amounts of identifiable assets acquired and liabilities assumed

	Book values	Adjustments	Fair value
	£'000	£'000	£'000
Intangible assets (note 11)	235	263	**498**
Debtors	714	(52)	**662**
Cash	653	-	**653**
Current liabilities	(1,438)	-	**(1,438)**
Total identifiable net assets	164	211	**375**
Goodwill (note 11)			**1,266**
Total			**1,641**

The adjustments arising on acquisition were in respect of the de-recognition of certain capitalised costs totalling £44,000 relating to the company's website, the recognition of £307,000 as the value attributable to existing customer relationships and a deferred tax liability of £52,000 arising on that valuation.

The revenue from Optimus Education Limited included in the consolidated profit and loss account post acquisition for the year ended 31 March 2017 was £870,000. Optimus Education Limited also contributed a loss after taxation of £33,000 over the same period.

On 18 July 2012 the group became the sole member of Gabbitas, Truman and Thring Educational Trust for an aggregate consideration of £150,000 payable in quarterly instalments ending in June 2015. The final deferred consideration instalment of £12,500 was paid in the year ended 31 March 2016.

15 Stocks

	Group	
	2017	2016
	£'000	£'000
Finished goods	**63**	50

16 Debtors

	Group		Company	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Trade debtors	**5,115**	3,670	**-**	-
Other debtors	**80**	86	**-**	-
Deferred tax asset due within one year (note 17)	**413**	327	**-**	-
Prepayments and accrued income	**5,958**	4,993	**-**	-
	11,566	9,076	**-**	-
Deferred tax asset due after more than one year (note 17)	**8,666**	7,020	**-**	-
	20,232	16,096	**-**	-

Trade debtors are stated after provisions for impairment of £98,000 (2016: £8,000).

17 Deferred taxation

A deferred tax asset is recognised at 17% (2016: 18%) in the financial statements as set out below:

	Group	
	2017	2016
	£'000	£'000
Accelerated capital allowances	**328**	308
Other timing differences	**8,751**	7,039
	9,079	7,347
Analysed as:		
Amount due within one year (note 16)	**413**	327
Amount due after more than one year (note 16)	**8,666**	7,020
	9,079	7,347

The amount of the net reversal of deferred tax expected to occur next year is £2,000 (2016: £31,000), relating to the reversal of existing timing differences on tangible fixed assets and the origination of new timing differences on intangible fixed assets.

A deferred tax asset amounting to £834,000 (2016: £212,000) in respect of accelerated capital allowances, unrelieved trading losses, unrelieved capital losses and other timing differences in certain companies within the group has not been recognised because in the opinion of the directors there is insufficient certainty as to the likelihood of recoverability in the future.

18 Creditors: amounts falling due within one year

	Group		Company	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Bank loan	**166**	166	**-**	-
Trade creditors	**2,230**	2,559	**2**	-
Amount owed to group undertakings	**-**	-	**955**	946
Corporation tax	**248**	-	**-**	-
Other taxes including social security costs	**2,052**	1,578	**-**	-
Other creditors	**307**	219	**-**	-
Accruals and deferred income	**13,570**	9,825	**18**	8
	18,573	14,347	**975**	954

19 Creditors: amounts falling due after more than one year

	Group		Company	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Bank loan repayable between one and two years	**166**	166	**-**	-
Bank loan repayable between two and five years	**332**	498	**-**	-
Bank loan repayable after five years	**-**	-	**-**	-
	498	664	**-**	-

The bank loan was secured by a fixed charge on all assets of the company and certain subsidiary undertakings. Loan repayments were made quarterly with final maturity of the loan falling due in March 2021. Interest accrued at a margin of 2.25% over LIBOR and was paid quarterly.

20 Post-employment benefits

During the year, the group had admission agreements with the London Pensions Fund Authority, the City of Bradford Metropolitan District Council responsible for the West Yorkshire Pension Fund, Gloucestershire County Council, Northamptonshire County Council and Wolverhampton City Council responsible for the West Midlands Metropolitan Authorities Pension Fund all of whom administer funds as part of the Local Government Pension Scheme (LGPS). The LGPS is a multi-employer statutory defined benefit pension scheme and the scheme members have a statutory right to their accrued benefits.

The group also had a defined benefit pension scheme with Prudential Platinum. This scheme has been certified by the Government Actuary's Department as broadly comparable to the Principal Civil Service Pension Scheme.

Reconciliation of scheme assets and liabilities

	Assets	Liabilities	Total
	£'000	£'000	£'000
At 1 April 2016	105,107	(143,632)	**(38,525)**
Administration expenses	(140)	-	**(140)**
Benefits paid	(5,143)	5,143	**-**
Transfers in	1,623	(1,538)	**85**
Contributions by employer	3,038	-	**3,038**
Contributions by employees	516	(516)	**-**
Current service cost	-	(2,524)	**(2,524)**
Past service costs including curtailments	-	(142)	**(142)**
Settlements	(3,460)	3,970	**510**
Interest income/(expense)	3,890	(5,153)	**(1,263)**
Remeasurement gains/(losses)			
- Actuarial gains/(losses)	1,673	(31,110)	**(29,437)**
- Return on plan assets excluding interest income	17,524	-	**17,524**
At 31 March 2017	**124,628**	**(175,502)**	**(50,874)**

The actuarial gain on the assets in the year of £1,673,000 is stated net of derecognition of a surplus of £2,587,000 on one of the group's defined benefit pension schemes as there is insufficient certainty as to the refund of contributions.

The actual return on plan assets over the period ending 31 March 2017 was £21,414,000 (2016: £(946,000)).

20 Post-employment benefits (continued)

Defined benefit costs recognised in profit and loss account

	2017 £'000	2016 £'000
Current service cost	**2,524**	2,963
Past service cost	**142**	304
Settlement gains*	**(510)**	-
Administration expenses	**140**	166
Defined benefit costs charged to operating profit	**2,296**	3,433
Net interest expense	**1,263**	1,149
Defined benefit costs recognised in profit and loss account	**3,559**	4,582

* A settlement gain of £0.5 million arose during the year on a defined benefit pension scheme in respect of a bulk transfer of former employees' pension liabilities out of the group's defined benefit pension scheme to a comparable arrangement with their new employer following a TUPE transfer.

Defined benefit costs recognised in other comprehensive income

	2017 £'000	2016 £'000
Return on plan assets in excess of interest	**17,524**	(4,606)
Actuarial (losses)/gains	**(29,437)**	3,743
Transfers in	**85**	-
Total loss recognised in other comprehensive income	**(11,828)**	(863)

Assets

	2017 £'000	2016 £'000
Equities	**71,718**	50,827
Bonds	**11,567**	9,227
Cash	**8,817**	10,219
Other†	**32,526**	34,834
Total assets	**124,628**	105,107

† Other assets include target return funds, property, diversified growth funds, infrastructure, commodities and other alternative assets.

20 Post-employment benefits (continued)

Assumptions

The actuarial valuations for the group have been updated to 31 March 2017 by qualified independent actuaries. The major assumptions used, expressed as weighted averages across the schemes described above, were:

	2017	2016
	% pa	% pa
Rate of increase in pension payment	**2.4**	2.1
Rate of increase in salaries*	**3.3 plus PSS**	3.0 plus PSS
Inflation rate	**2.4**	2.0
Discount rate	**2.7**	3.6

* PSS = promotional salary scale

The mortality assumptions applicable were:

	2017	**2017**	2016	2016
Life expectancy from age 65 (years)	**Males**	**Females**	Males	Females
31 March 2017	**21.6**	**24.6**	22.2	25.2
31 March 2037	**23.9**	**26.8**	24.5	27.4

Defined contribution scheme

The group also operates defined contribution pension schemes for which the pension charge for the year amounted to £768,000 (2016: £718,000).

21 Called up share capital

	Group and company	
	2017	2016
	£'000	£'000
Allotted, called up and fully paid		
2,400,000 Ordinary shares of £0.01 each (2016: 2,400,000)	**24**	24

The company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote in any circumstances. Each share has equal rights to dividends and is entitled to participate in a distribution arising from a winding up of the company.

22 Equity minority interests

In the year ended 31 March 2016 the group's effective interest in Gabbitas Educational Consultants Limited was diluted from 100% to 82.1% following the issue of new shares in Gabbitas Limited to the directors and management of Gabbitas Educational Consultants Limited, a wholly owned subsidiary of Gabbitas Limited.

At the date of the dilution Gabbitas Educational Consultants Limited had net liabilities resulting in an accounting gain of £380,000 on deemed part disposal since a 17.9% share of those net liabilities became attributed to the minority interests. However, as there is no contractual requirement or expectation of the minority shareholders to fund their share of the net liabilities a provision of £380,000 was established against this.

In the year ended 31 March 2017, the group increased its shareholding in Gabbitas Limited to 87.2% which resulted in a reduction in the share of net liabilities attributable to the minority interest of £126,000 with a consequential equivalent release of the provision against the minority interest.

The minority interest in the share of consolidated losses of Gabbitas Limited arising in the year of £34,000 (2016: £49,000) is also provided against in full as there is no requirement or contractual expectation of the minority shareholders to fund their share of the losses.

Minority interest

	Group	
	2017	2016
	£'000	£'000
At 1 April	**(429)**	-
Arising on ordinary activities after taxation	**(34)**	(49)
Resulting from change in minority interest shareholding	**126**	(380)
At 31 March	**(337)**	(429)
Provision		
At 1 April	**429**	-
Arising on ordinary activities after taxation	**34**	49
Resulting from change in minority interest shareholding	**(126)**	380
At 31 March	**337**	429
Minority interest after provision		
At 31 March	**-**	-

23 Reserves

Called-up share capital represents the nominal value of shares that have been issued.

Profit and loss account includes all current and prior period retained profits and losses.

Other reserves represents the cost of investment in own shares and cash reserves held by the Prospects Group 2011 Limited Employee Benefit Trust.

	2017	2016
	Shares	Shares
Shares held by the employee benefit trust		
Ordinary shares of £0.01 each	**347,925**	312,425

23 Reserves (continued)

The Prospects Group 2011 Limited Employee Benefit Trust was established under a trust deed dated 30 September 2011 pursuant to which the trustee is required to ensure that the trust assets are applied solely for the benefit of the class of beneficiaries under the trust, being employees and former employees and family members of such persons of Prospects Group 2011 Limited and its subsidiary undertakings.

The Board continues to promote the benefits of its employee owned mutual status. Accordingly, it is the Board's intention, through the use of the employee benefit trust or otherwise, for opportunities to be made available for employees who do not currently own shares to become shareholders in the company and for existing employees who are already shareholders to increase their shareholdings.

During the year 35,500 ordinary shares of £0.01 each were acquired by the employee benefit trust from employees or former employees for an aggregate consideration of £21,355. The number of shares held by the employee benefit trust at 31 March 2017 represented 14.5% of the called-up share capital (2016: 13.0%).

None of the shares held by the employee benefit trust are under option to any employees nor have any been conditionally gifted to any employees.

24 Reconciliation of operating profit to operating cash flow

	Group		Company	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Operating profit	**3,544**	1,948	**-**	-
Depreciation	**683**	749	**-**	-
Amortisation and impairment	**245**	110	**-**	-
Increase in stocks	**(13)**	(11)	**-**	-
(Increase)/decrease in debtors	**(1,755)**	859	**-**	-
Increase/(decrease) in creditors	**2,545**	(4,708)	**21**	1
Profit on disposal of fixed assets	**(2)**	-	**-**	-
Pension scheme operating charge less contributions	**(742)**	135	**-**	-
Net cash flow from operating activities	**4,505**	(918)	**21**	1

25 Leasing commitments

The group's future minimum operating lease payments are as follows:

	2017	2016
	£'000	£'000
Within one year	**872**	911
Between one and five years	**602**	636
	1,474	1,547

Leases of land are typically subject to rent reviews at specified intervals.

26 Related party transactions

During the year, Ian Hunt, a member of the key management personnel, transferred 500 ordinary shares in Gabbitas Limited at par to Prospects Group 2011 Limited reducing the total remaining minority shareholding in Gabbitas Limited from 17.9% to 12.8%.

Details of the directors' remuneration and key management compensation are disclosed in note 7 to the financial statements.

The company has taken advantage of the exemption in FRS 102, Section 33 from the requirement to disclose transactions with wholly owned group companies on the grounds that consolidated financial statements are prepared by the company.

27 Financial risk management

The group is exposed to financial risk through its financial assets and liabilities, such as loans, cash balances, pension liabilities, trade debtors and trade creditors that arise directly from its operations. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from the financial liabilities as they fall due. The most important components of financial risk to the group are interest rate risk, credit risk, liquidity risk and pension risk.

Interest rate risk

The group's term loan and revolving loan facility are at a variable rate of interest so the group is exposed to changes in interest rates. The group manages interest rate risk by making a commercial assessment from time to time as to the costs and benefits of a fixed interest rate and, where appropriate, seeking to negotiate the loan terms accordingly.

Credit risk

The group's principal financial assets are cash and trade debtors. The credit risk associated with cash is limited as the group cash balances are primarily held with UK financial institutions with high credit ratings assigned by credit-rating agencies. The credit risk associated with trade debtors is limited due to the nature of the main counterparties being local authorities, the Skills Funding Agency, Ofsted, Department for Work and Pensions and other Government agencies.

Liquidity risk

The group seeks to manage liquidity risk by ensuring that sufficient cash resources are available to meet the foreseeable needs of the business. In addition to its cash balances, at 31 March 2017 the group also had access to a £5 million revolving loan facility committed until 31 July 2020 and available for general corporate purposes. As set out in note 29, since the year end the group has re-financed and now has £11 million of committed bank facilities of which £10 million is committed until 2 June 2022.

Pension risk

The group is exposed to risk on net liabilities arising under its defined benefit pension schemes as a result of uncertainty on asset returns, inflation, discount rates and future life expectancy of members.

Furthermore, as the Local Government Pension Scheme is established under statute, the group is not in a position to implement any strategies that have commonly been used in the private sector to manage the increasing cost and risk of maintaining a defined benefit pension scheme. A similar position arises in respect of the Prudential Platinum defined benefit pension scheme where the Government Actuary's Department had to certify that the terms of the new scheme were broadly comparable to the Principal Civil Service Pension Scheme in which the staff transferring out of the public sector previously participated.

The actions that the group have taken to manage this pension risk include closing its defined benefit pension schemes to new entrants. However, the group has a continuing requirement to ensure access to a broadly comparable public sector pension scheme for new staff transferring into the group on an initial outsourcing from the public sector or subsequent transfer who retain an entitlement to a high quality public sector defined benefit pension. In these circumstances the group seeks to contractually ensure that any past service transfer is fully funded at the point of staff transfer so that the group does not assume any initial pension deficit in respect of these bulk transfers.

28 Financial assets and liabilities

The group and company have the following financial instruments:

		Group		Company	
		2017	2016	**2017**	2016
	Note	**£'000**	£'000	**£'000**	£'000
Financial assets measured at fair value through profit or loss		**-**	-	**-**	-
Financial assets that are debt instruments measured at amortised cost					
Trade receivables	16	**5,115**	3,670	**-**	-
Other receivables	16	**80**	86	**-**	-
		5,195	3,756	**-**	-
Financial liabilities measured at amortised cost					
Financial assets that are equity instruments measured at cost less impairment		**-**	-	**-**	-
Financial liabilities measured at fair value through profit or loss		**-**	-	**-**	-
Bank loan	18/19	**(664)**	(830)	**-**	-
Trade creditors	18	**(2,230)**	(2,559)	**(2)**	-
Accruals	18	**(8,635)**	(5,896)	**(18)**	(8)
Amounts owed to group undertakings	18	**-**	-	**(955)**	(946)
Other creditors	18	**(307)**	(219)	**-**	-
		(11,836)	(9,504)	**(975)**	(954)
Other financial liabilities measured at fair value		**-**	-	**-**	-

29 Post balance sheet event

On 2 June 2017 the group acquired 100% of the share capital of Homes 2 Inspire Limited, a provider of residential care services for young people.

As part of the financing arrangements for the acquisition of Homes 2 Inspire Limited the bank loan totalling £664,000 that was outstanding at the balance sheet date was repaid early and a new £7 million Term Loan and £4 million Revolving Credit Facility were agreed with the group's new principal banker, Clydesdale Bank PLC. These facilities are committed until 2 June 2022 with £1 million of the Term Loan scheduled for repayment in quarterly instalments in the year ending 31 March 2020.

Five year track record

	Under FRS 102			Under previous UK GAAP	
	2017	2016	2015	2014	2013
	£'000	£'000	£'000	£'000	£'000
Turnover	**80,036**	75,708	80,002	80,231	68,361
Earnings before interest, tax, depreciation and amortisation and before exceptional items	**4,707**	2,807	4,606	3,451	4,379
Depreciation	**(683)**	(749)	(898)	(970)	(1,072)
Amortisation excluding exceptional items	**(245)**	(110)	(92)	(244)	(463)
Share of associate's operating profit	**103**	85	62	36	-
Net interest expense	**(1,281)**	(1,185)	(890)	(117)	200
Profit before tax and exceptional items	**2,601**	848	2,788	2,156	3,044
Exceptional items	**(235)**	-	(775)	(1,523)	-
Profit before tax	**2,366**	848	2,013	633	3,044
Tax	**(524)**	(290)	(475)	(426)	(724)
Minority interest	**-**	-	-	84	66
Profit for the financial year	**1,842**	558	1,538	291	2,386

Prospects Group 2011 Limited	Registered in England & Wales
Company number	07708678
Registered office	Prospects House 19 Elmfield Road Bromley Kent BR1 1LT
Company secretary	K M Beerling
Auditor	Grant Thornton UK LLP Chartered Accountants Registered Auditor Victoria House 199 Avebury Boulevard Milton Keynes MK9 1AU
Principal bankers	Clydesdale Bank PLC 136-138 New Street Birmingham B2 4QJ
Registrars	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS13 8AE

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