

**Management & Training Corporation
Limited (formerly MTCnovo Limited)**

Annual Report and Financial Statements

For the year ended

31 December 2018

Company no. 09284837



Management & Training Corporation Limited (formerly MTCnovo Limited)

Report and financial statements for the year ended 31 December 2018

Contents

Page:

1	Directors and Company Information
2 - 6	Strategic report
7 - 10	Directors' report
11	Directors' responsibilities statement
12 - 14	Independent Auditor's report
15	Consolidated Profit and Loss account
16	Consolidated Balance sheet
17	Company Balance sheet
18	Consolidated Statement of changes in equity
18	Company Statement of changes in equity
19	Consolidated Cash flow statement
20 - 41	Notes forming part of the financial statements

Management & Training Corporation Limited (formerly MTCnovo Limited)**Report and financial statements for the year ended 31 December 2018****Directors and Company Information**

Directors

Robert Scott Marquardt
Lyle J. Parry
Bernard Warner

Company Secretary

Sherard Secretariat Services Limited – Appointed 01/02/2015 and Resigned 09/01/2019
The Sherard Building, Edmund Halley Road, Oxford, Oxfordshire, England, OX4 4DQ

Dr Aoife Marie McGuinness - Appointed 09/01/2019

Registered Office

Floor 5, Capital Tower, 91 Waterloo Road, London SE1 8RT

Company Number

09284837

Bankers

HSBC Bank PLC UK
62/67 Park Street
2nd Floor
Southwark
London, SE1 9DZ

Auditor

Deloitte LLP, Statutory Auditor
1 New Street Square
London EC4A 3HQ
United Kingdom

Management & Training Corporation Limited (formerly MTCnovo Limited)

Strategic report for the year ended 31 December 2018

The Directors present their Strategic report for the year ended 31 December 2018. This Strategic report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Management & Training Corporation Limited and its subsidiary undertakings when viewed as a whole.

Principal activities

Management & Training Corporation Limited (formerly MTCnovo Limited) was incorporated in the United Kingdom on 28 October 2014, as a joint venture between Novo Community Limited and Management & Training Corporation (UK) Limited. On 1 February 2015 the company acquired The London Community Rehabilitation Company Limited and The Thames Valley Community Rehabilitation Company Limited. On 9 January 2019, Management & Training Corporation (UK) Limited purchased Novo Community Limited's 50% share of MTCnovo Limited's share capital and became MTCnovo Limited's sole shareholder. On 8 February 2019, the Company changed its name from MTCnovo Limited to Management & Training Corporation Limited.

The Group is principally engaged in the justice and judicial activity of providing rehabilitation services. There have been no changes in the Group's activities during the year. Its principal place of business is London and its Head Office is: Floor 5, Capital Tower, 91 Waterloo Road, London SE1 8RT.

The Group's main revenue streams have been contracted with the Secretary of State for Justice until December 2020. In May 2019, The Ministry of Justice ("MoJ") announced plans for the future of probation. Under the plans, The National Probation Service will be responsible for managing all service users on community order or license following their release from prison in England and Wales. As part of the announcement, the MoJ announced that there will be a significant and more clearly defined role for the voluntary and private sector in the delivery of unpaid work, accredited programmes and resettlement and rehabilitative initiatives and that they are committed to increasing innovation through this approach.

This operating model will be significantly different to the first generation CRC contracts which are due to expire in December 2020. Management & Training Corporation Limited remains committed to playing a key role in probation services and over the forthcoming months will be reviewing what the announcement means and opportunities available under the second generation probation contracts.

Business review

The results of the company and future developments have been outlined in the Directors Report under the Review of Business and Future Developments section.

Key performance indicators

The Consolidated Profit and Loss Account for the year is set out on page 15 and shows a turnover of £94.0m (2017: £99.8m) and Profit after tax amounting to £0.2m (2017: £3.5m).

The Group's primary business focus during the year continued to be the delivery of probation services operating under contracts between the two Community Rehabilitation Companies and the Secretary of State for Justice. The contracts are currently scheduled to end in December 2020.

The Group also continued to run the operations of the Secure Training Centre (STC) in Rainsbrook.

Management & Training Corporation Limited (formerly MTCnovo Limited)

Strategic report for the year ended 31 December 2018 (continued)

Key performance indicators (continued)

During 2018, the contracts specified the required performance and Key Performance Indicators (KPIs) that were used to measure monthly performance of the CRCs. Each KPI has established performance targets in the contracts that the CRCs are evaluated against. The KPIs coincide with various contractual service delivery requirements including pre-release planning, initial contact appointments, initial sentence plans and sentence completion. Some of the primary KPIs have been detailed below in accordance to service level weighting.

Completion of Community Orders and Suspended Sentence Order

The percentage of completions of community orders and suspended sentence orders by service users who have been allocated to and are managed by a CRC responsible officer.

Contractor Delivery of Unpaid Work Requirement

The percentage of completions of unpaid work requirements by service users who have been allocated to and are managed by a CRC responsible officer.

Contractor Delivery of a Programme Requirement

The percentage of completions of a Programme Requirement by service users who have been allocated to and are managed by a CRC responsible officer.

Contractor Delivery of completing required Plans

The percentage completion of a Plan in accordance with the stipulated requirements and within the stipulated timeframes for service users with Community Orders, Suspended Sentences and those released from custody.

On 1 October 2018, The London Community Rehabilitation Company Limited commenced a new project, the "Quality Pilot". The KPIs will remain in place and are measured and accrued in the background for the purposes of improving service and potential future service credits, but the company performance will now also be measured against quality indicators with an agreed audit mechanism.

The performance of the London and Thames Valley Community Rehabilitation Companies is summarised below (greater detail may be found in the respective individual company financial statements):

The London Community Rehabilitation Company Limited (LCRC) - In the year ending 31 December 2018, LCRC moved from its Back-to-Basics agenda to a focus on defining and delivering quality. Our Quality and Performance team, in preparation for the move to quality indicators, developed quality standards and case audits to ensure all operational employees know what quality looks like and the organisation is consistently working to the same standards. Our Ambition 2020 Change Plan was revised into the LCRC Continuous Improvement Plan and developed to drive change across the business; delivering detailed projects and initiatives to improve and transform LCRC into a high-performing organisation. The London Community Rehabilitation Company Limited is continuing to see improving Quality and Performance as a result of the initiatives being implemented in the business.

Management & Training Corporation Limited (formerly MTCnovo Limited)

Strategic report for the year ended 31 December 2018 (continued)

Key performance indicators (*continued*)

These projects and initiatives include:

- The Grid: designed to ensure the work of our officers is firmly rooted in the principles of risk, need and responsivity and to support evidence based professional judgement around the minimum offer of supervision and interventions.
- One Referral: our online form that streamlines the referral process for practitioners, which produced a significant increase in referrals and levels of engagement with our supply chain.
- Allocations Tool: allows cases to be allocated direct to practitioners from our Service Centre which frees up significant time for our Senior Probation Officers.
- Other work completed in the year included: the launch of our revised Rate Card; the start of the roll out of training on our new case management system (Omnia) and the creation of a new Continuous Improvement Team, who work with our practitioners to gather and trial their ideas on smarter working practices.

The Thames Valley Community Rehabilitation Company Limited (TVCRC) - During the year ended 31 December 2018, TVCRC continued to deliver a strong performance with most KPIs performance fluctuating around or above target on a monthly basis.

Management & Training Corporation Limited took over the running of STC Rainsbrook in May 2016 and has undertaken an intensive and far reaching transformation plan. The STC Contract performance is monitored against the transformation plan together with a number of Contract Delivery Indicators (CDIs) and Key Performance Indicators (KPIs).

The STC Contract CDIs have a direct Service Credit deduction based on the number of Performance Points awarded for the failure of each CDI. During the first 12 months, there was a 'bedding-in period' which allowed a buffer of Performance Points as the business transformed.

During 2018, the largest contributor to the Service Credit deduction was assaults where points awarded for 14 instances. From May 2019 there has been a change in the way assaults are classified, with the introduction of a grading mechanism (severe, serious and low level) and points being awarded depending on the severity of the assault.

During 2017, the largest contributor to the Service Credit deduction was the Minimum Staffing Levels ("MSL") CDI where there were points awarded for 24 instances where the MSL was not met on a specific day. During 2018, the Service Credit deduction for MSL was reduced to 7 instances. The STC has made significant efforts to recruit staff in operational roles where MSL is applicable and there is a closely monitored staffing pipeline for the year ahead.

The second highest impacted CDI during 2017 was the Prohibited Items CDI, where points were awarded for 18 instances during the year. During the year ending 31 December 2018, points were awarded on only 8 occasions. The decrease is driven by work performed to evidence compliance with our procedures and policies when Prohibited Items are found, this has driven an increase in successful rebuttal of CDI points.

Contractual KPIs cover safeguarding, care, education, resettlements, interventions and facilities management. During 2018, a review of the KPI baselines was undertaken with the MoJ in line with the annual review. This was to address unaligned reporting timetables for the Education KPIs. The revised KPI reporting went live on 1 May 2019.

Management & Training Corporation Limited (formerly MTCnovo Limited)

Strategic report for the year ended 31 December 2018 (continued)

Principal risks and uncertainties

The Group's risks and other key performance indicators are reported, reviewed and managed at a Company executive level. A comprehensive risk register, which identifies key business risks, including safeguarding, contractual, operational, reputational and financial risk areas is overseen by the Boards of each of the Group's companies. A consolidated register is held at a Group level and reviewed by the Board monthly.

Transformation risk

Transformation continued to be a principal focus area of risk management for the Group. The London CRC continued its Continuous Improvement programme in the year which involves changes to the operating model, the introduction of new IT solutions and changes to the way caseloads are managed within the organisation, requiring the oversight of a dedicated team.

Contract risk

There is a reliance upon the key Secretary of State contracts. The length of the contracts (currently contracted to December 2020), mitigates some of the risks until December 2020 as it decreases revenue volatility and gives greater insight into future income levels which has enabled the CRC's to proactively manage their cost base.

In May 2019, The MoJ announced plans for the future of probation. Under the plans, The National Probation Service will be responsible for managing all service users on community order or license following their release from prison in England and Wales. As part of the announcement, the MoJ announced that there will be a significant and more clearly defined role for the voluntary and private sector in the delivery of unpaid work, accredited programmes and resettlement and rehabilitative initiatives and that they are committed to increasing innovation through this approach.

This operating model will be significantly different to the first generation CRC contracts. Management & Training Corporation Limited remains committed to playing a key role in probation services and over the forthcoming months will be reviewing what the announcement means and opportunities available under the second generation probation contracts.

Additionally, Management & Training Corporation Limited continues to actively explore other opportunities in the justice sector.

The payment mechanism in the current CRC Secretary of State contracts makes provision for bonus payments and penalty deductions according to the CRC's performances in reducing re-offending rates against contractual baselines. Uncertainties relating to the actual re-offending rates of the cohorts of service users who are under the supervision of the CRC's in the assessment period mean that it is not possible to calculate any potential bonus or penalty with adequate certainty until the measurement period is nearly completed. Although any potential bonus or penalty is not recognised until the measurement period is nearly finished, there is still the remainder of the measurement period and the following analysis period where any potential bonus or penalty may be subject to change.

Management & Training Corporation Limited (formerly MTCnovo Limited)

Strategic report for the year ended 31 December 2018 (continued)

Systems risk

An initial reliance on third party reporting systems for the user data which initiates client payments, presented both risk and uncertainty. The Group has mitigated this risk through its dedicated data team, which reviews and scrutinises information and agrees volumes and KPIs.

During 2018, the Group began the implementation of Omnia, the new case management system. As with any large IT transformation project the implementation phase carries the potential risk of disruption to users, however, the Group has a robust Governance structure and project plan in place. Successful implementation has occurred and all Practitioners are now migrated to Omnia.

The Group also has robust policies, procedures and operating reporting in place to manage safeguarding, operational, information technology, human resources and health and safety risks.

Approved by the Board and signed on its behalf by:



Lyle J. Parry

Director

26 September 2019

Management & Training Corporation Limited (formerly MTCnovo Limited)

Directors' report for the year ended 31 December 2018

The Directors present their report on the affairs of the Group together with the audited consolidated financial statements for the year ended 31 December 2018.

Directors

The Directors of the Company during the year, and up to the date of this report, were:

Ian Harry Deninson (resigned 16/03/2018)
Amanda Lucia Fisher (appointed 27/07/2018 and resigned 09/01/2019)
Asif Ghafoor (resigned 09/01/2019)
Robert Scott-Marquardt
Lyle J. Parry
Margaret Mary Seear (resigned 18/05/2018)
Richard James Ward (resigned 09/01/2019)
Bernard Warner

Directors' indemnities

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

Going Concern

After making enquiries, and based on the assumptions outlined in note 1 to the financial statements, the Directors have concluded that the Group has 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.

Please see the Review of business and future developments section below for details on the future operating model of the probation service.

Dividends

No dividends were paid by the Group during the year ended 31 December 2018 (2017: £nil). The Directors do not recommend the payment of a final dividend.

Review of business and future developments

The Consolidated Profit and Loss Account for the year is set out on page 15 and shows turnover of £94.0m (2017: £99.8m) and a profit after tax amounting to £0.2m (2017: £3.5m). The profit after tax has decreased in the year ending 31 December 2018, compared to the year 31 December 2017, due to a decrease in contracted revenue year on year. During the year ended 31 December 2018, the Group capitalised £1.5m (2017: £4.3m) of development spend in relation to the new Omnia IT system (see note 8), £nil was spent on other Research and Development activities during the year (2017: £nil).

Management & Training Corporation Limited (formerly MTCnovo Limited)

Directors' report for the year ended 31 December 2018 (continued)

Review of business and future developments (continued)

During 2016, MTCnovo Limited took over the contract for running the Rainsbrook Secure Training Centre. The 5 year contract commenced in May 2016 and over its lifetime is expected to generate future revenues of approximately £53m.

In May 2019, The MoJ announced plans for the future of probation. Under the plans, The National Probation Service will be responsible for managing all service users on community order or license following their release from prison in England and Wales. As part of the announcement, the MoJ announced that there will be a significant and more clearly defined role for the voluntary and private sector in the delivery of unpaid work, accredited programmes and resettlement and rehabilitative initiatives and that they are committed to increasing innovation through this approach.

This operating model will be significantly different to the first generation CRC contracts which are due to expire in December 2020. Management & Training Corporation Limited remains committed to playing a key role in probation services and over the forthcoming months will be reviewing what the announcement means and opportunities available under the second generation probation contracts.

Additionally, Management & Training Corporation Limited continues to actively explore other opportunities in the justice sector.

The Directors believe that Brexit will have minimal impact of the day to day running of the Group.

Overall the Directors are confident of further continued sustainable turnover in 2019. There have been no other events since the balance sheet date which materially affect the position of the Group.

Financial risk management objectives and policies

The Group's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Financial instruments that potentially subject the Group to a concentration of credit risk consist of cash at bank and in hand, trade and other debtors, amounts owed by Group Undertakings, prepayments and accrued income and investments. The credit risk on liquid funds (cash and cash equivalents) is limited because the counterparties are highly rated financial institutions. Trade receivables are presented in the balance sheet net of allowances for doubtful debts of £nil (31 December 2017: 94k). An allowance for impairment is made where there is an identified loss event which is evidence of a reduction in the recoverability of cash flows.

Interest rate risk

Given the Group has no significant interest bearing assets (except cash and cash equivalents) income and operating cash flows are substantially independent of changes in market interest rates. Interest rate risk arises from long-term borrowings; the Group's management of cash flow risk ensures that obligations can be met as they fall due.

Management & Training Corporation Limited (formerly MTCnovo Limited)

Directors' report for the year ended 31 December 2018 (*continued*)

Financial risk management objectives and policies (*continued*)

Cash flow risk

Cash flow risk refers to the risk that the Group will not have available resources to meet obligations as they fall due. Sufficient cash balances are held to meet short-term obligations, Group cash balances at 31 December 2018 were £23.1m (31 December 2017: £20.0m). In addition, Management & Training Corporation Limited has a credit line of £15.0m with its parent Management & Training Corporation (UK) Limited. At 31 December 2018 and 31 December 2017, the credit line available was £30.0m, the £15.0m credit line with Novo Community Limited was cancelled on 9 January 2019 as part of the transaction where Novo Community Limited sold its 50% stake in Management & Training Corporation Limited to Management & Training Corporation (UK) Limited, making them sole shareholders. At 31 December 2018, £10.0m (31 December 2017: £10.0m) of the credit facility remained undrawn. Following the change in ownership on 9 January 2019, £5.0m of the credit facility remains undrawn. Interest bearing assets and liabilities are held at a fixed rate to ensure the certainty of cash flows.

Liquidity risk

The Group is exposed to liquidity risk with respect to its contractual obligations and financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash at bank and in hand and the availability of funding through an adequate amount of committed credit facilities. In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses a mixture of long-term and short-term debt finance, including a credit line of £30.0m (31 December 2017: £30.0m) with its parents Novo Community Limited and Management & Training Corporation (UK) Limited (subsequently reduced to £15.0m on 9 January 2019, when the £15.0m credit line with Novo Community Limited was cancelled).

Employees

Management & Training Corporation Limited is fully committed to the employment of people with disabilities and the continued employment and training of persons who become disabled in the company's employment. Training and promotion are available to all staff and the Group particularly supports disabled staff through effective use of assistive technology.

The Group aims to make inclusion part of its culture and wants to make sure our services and employment are inclusive for the wide, diverse range of people we serve and employ. Management & Training Corporation Limited aims for fairness, respect and equality of opportunity for all employees from the moment they join and throughout their employment, with regards to: recruitment, learning and development, appraisal, performance management, recognition, promotion and leaving. The Group also aim for fairness, respect and equality of opportunity for our service users, partners and suppliers in the actions we and they take in connection with Management & Training Corporation Limited. Making this happen is the responsibility of everyone who is employed by, contracted to, supplies and uses Management & Training Corporation Limited and its services through its various businesses.

Management & Training Corporation Limited (formerly MTCnovo Limited)

Directors' report for the year ended 31 December 2018 (*continued*)

Employees (*continued*)

To achieve this various activities occur, including:

- Delivering events for all employees to share the Group's vision, activities and progress
- Holding 'Top 60' Leadership forums to collaborate in achieving the Group's objectives
- Tailoring training to individual group needs
- Holding Local and Pan Committee Union forums
- Undertaking an annual employee engagement survey to hear employees views
- Having various Intranet communications portals to assess information
- The Executive team engage in regular visible leadership walkabouts
- Having an employee led inclusion network to work on Equality and Diversity initiatives with employee representatives included on the Equality and Diversity Board
- Undertaking Equality Impact Assessment on our policies.

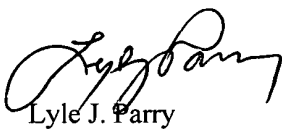
Auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- The Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

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

Approved by the Board and signed on its behalf by:



Lyle J. Parry

Director

26 September 2019

Management & Training Corporation Limited (formerly MTCnovo Limited)

Directors' responsibilities statement

The Directors are responsible for preparing 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 law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included 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.

Management & Training Corporation Limited (formerly MTCnovo Limited)

Independent Auditor's report to the members of Management & Training Corporation Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Management & Training Corporation Limited (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 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.

We have audited the financial statements which comprise:

- the consolidated profit and loss account;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Management & Training Corporation Limited (formerly MTCnovo Limited)

Independent Auditor's report to the members of Management & Training Corporation Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Strategic Report and the Directors Report, other than the financial statements and our auditor's report thereon, our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Management & Training Corporation Limited (formerly MTCnovo Limited)

Independent Auditor's report to the members of Management & Training Corporation Limited (continued)

Report on other legal and regulatory requirements

Opinions 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.

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Peter Gallimore FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

26 September 2019

Management & Training Corporation Limited (formerly MTCnovo Limited)

Consolidated Profit and Loss account for the year ended 31 December 2018

	Note	31 Dec 2018 £'000	31 Dec 2017 £'000
Turnover	2	93,960	99,838
Cost of sales		(59,257)	(65,846)
Gross profit		34,703	33,992
Administrative expenses	6	(34,139)	(29,135)
Operating Profit		564	4,857
Net Finance Costs	5	(502)	(464)
Profit before taxation	6	62	4,393
Tax on profit	7	103	(853)
Profit for the financial year		165	3,540

All transactions relate to continuing operations.

There were no recognised gains or losses other than the profit for the current year. Accordingly, a separate statement of other comprehensive income has not been presented.

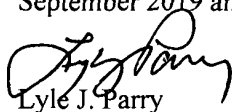
The notes on pages 20 to 41 form part of these financial statements.

Management & Training Corporation Limited (formerly MTCnovo Limited)

Consolidated Balance Sheet as at 31 December 2018

	Note	31 Dec 2018 £'000	31 Dec 2017 £'000
Fixed assets			
Intangible assets	8	6,569	5,084
Tangible assets	9	816	636
Total fixed assets		7,385	5,720
Current assets			
Debtors: amounts falling due after more than one year	12	2,276	-
Debtors: amounts falling due within one year	12	21,979	28,949
Cash at bank and in hand		23,053	19,960
Total current assets		47,308	48,909
Current liabilities			
Creditors: amounts falling due within one year	14	(30,463)	(20,561)
Provisions: amounts falling due with one year	15	(2,261)	-
Total current liabilities		(32,724)	(20,561)
Net current assets		14,584	28,348
Total assets less current liabilities		21,969	34,068
Creditors: amounts falling due after more than one year	14	(10,000)	(20,000)
Provisions: amounts falling due after more than one year	15	(439)	(2,703)
Net assets		11,530	11,365
Capital and reserves			
Called up share capital	16	-	-
Profit and loss account		11,530	11,365
Total equity shareholders' funds		11,530	11,365

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



Lyle J. Parry

Director

Company no: 09284837

The notes on pages 20 to 41 form part of these financial statements.

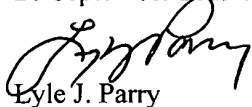
Management & Training Corporation Limited (formerly MTCnovo Limited)

Company Balance Sheet as at 31 December 2018

	Note	31 Dec 2018 £'000	31 Dec 2017 £'000
Fixed assets			
Intangible assets	8	6,569	2,908
Tangible assets	9	283	-
Investments	10	452	452
Total Fixed assets		7,304	3,360
Current assets			
Debtors: amounts falling due after one year	12	236	4,000
Debtors: amounts falling due within one year	12	7,013	11,307
Cash at bank and in hand		12,193	798
Total current assets		19,442	16,105
Creditors: amounts falling due within one year	14	(22,680)	(2,598)
Net current (liabilities)/assets		(3,238)	13,507
Total assets less current liabilities		4,066	16,867
Creditors: amounts falling due after more than one year	14	(10,000)	(20,000)
Provisions for liabilities	15	(393)	(414)
Net liabilities		(6,327)	(3,547)
Capital and reserves			
Called up share capital	16	-	-
Profit and loss account		(6,327)	(3,547)
Total equity shareholders' funds		(6,327)	(3,547)

The Group has taken an exemption to present an individual Company Profit and Loss account for Management & Training Corporation Limited which had a loss after tax of £2.8m (2017: loss £3.5m) during the year.

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



Lyle J. Parry

Director

26 September 2019

Company no: 0984837

The notes on pages 20 to 41 form part of these financial statements.

Management & Training Corporation Limited (formerly MTCnovo Limited)

Consolidated Statement of changes in equity at 31 December 2018

	Called up Share Capital £'000	Profit and loss account £'000	Total £'000
As at 1 January 2017	-	7,825	7,825
Profit for financial period	-	3,540	3,540
Total Comprehensive Income		3,540	3,540
As at 31 December 2017	-	11,365	11,365
Profit for financial year	-	165	165
Total Comprehensive Income	-	165	165
As at 31 December 2018	-	11,530	11,530

Management & Training Corporation Limited (formerly MTCnovo Limited)

Company Statement of changes in equity at 31 December 2018

	Called up Share Capital £'000	Profit and loss account £'000	Total £'000
As at 1 January 2017	-	(84)	(84)
Loss for financial period	-	(3,463)	(3,463)
Total Comprehensive Loss	-	(3,463)	(3,463)
As at 31 December 2017	-	(3,547)	(3,547)
Loss for financial year	-	(2,780)	(2,780)
Total Comprehensive Loss	-	(2,780)	(2,780)
As at 31 December 2018	-	(6,327)	(6,327)

Management & Training Corporation Limited (formerly MTCnovo Limited)

Consolidated Cash flow statement for the year ended 31 December 2018

	31 Dec 2018 £'000	31 Dec 2017 £'000
Cash flows from operating activities		
Operating profit for the financial year	564	4,857
Adjustments for:		
Depreciation and Amortisation	468	285
Amortisation of Deferred mobilisation cost	3,217	-
Decrease in trade and other debtors	1,407	1,379
Increase in trade and other creditors	114	2,356
Cash from operations	5,770	8,877
Income taxes paid	(482)	(902)
Net cash flows from operating activities	5,288	7,975
Cash flows from investing activities		
Purchase of tangible fixed assets	(572)	(470)
Purchase of intangible fixed assets	(1,325)	(4,316)
Net cash used in investing activities	(1,897)	(4,786)
Cash flows from financing activities		
Interest paid	(298)	(661)
Net cash used in financing activities	(298)	(661)
Net increase in cash and cash equivalents in the year	3,093	2,528
Cash and cash equivalents at the beginning of the year	19,960	17,432
Cash and cash equivalents at the end of the year	23,053	19,960

* In the year ending 31 December 2018, amortiation of the deferred mobilisation costs included within Debtors on the Balance Sheet has been split out and shown separately on the face of the Cash Flow Statement.

Management & Training Corporation Limited (formerly MTCnovo Limited)

Notes forming part of the financial statements for the year ended 31 December 2018

1. Accounting policies

Management & Training Corporation Limited (formerly MTCnovo Limited) is a private company limited by shares incorporated in the United Kingdom and registered in England and Wales. The company's functional currency is the British pound sterling. Its registered office is Floor 5, Capital Tower, 91 Waterloo Road, London SE1 8RT.

The financial statements have been prepared under the historical cost convention and are in accordance with applicable United Kingdom Accounting Standards, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The following principal accounting policies have been applied consistently in the current year:

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the parent Company. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The functional currency of Management & Training Corporation Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The consolidated financial statements are also presented in pounds sterling.

Going concern

Group cash balances at 31 December 2018 were £23.1m (31 December 2017: £20.0m). In addition, Management & Training Corporation Limited has a credit line of £15.0m with its parent Management & Training Corporation (UK) Limited, £5.0m of which remains undrawn.

At 31 December 2018 and 31 December 2017, the credit line available was £30.0m, with £15.0m being cancelled in January 2019, following Novo Community Limited selling its share in Management & Training Corporation Limited. At 31 December 2018 £10.0m (31 December 2017: £10.0m) of the credit facility remained undrawn. Following the change in ownership on 9 January 2019, £5.0m of the credit facility remains undrawn.

The Directors have prepared forecasts for the purpose of their going concern review which show that Management & Training Corporation Limited operates comfortably within its available cash balances and credit facilities.

In drawing their conclusions on going concern, the Directors have reviewed the forecasts and sensitivities thereon, including the impact of the change in length of the current CRC contracts. As a result of their considerations, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being 12 months from the date of signing these financial statements.

Management & Training Corporation Limited (formerly MTCnovo Limited)

Notes forming part of the financial statements for the year ended 31 December 2018 (*continued*)

1. Accounting policies (*continued*)

Going concern (continued)

The Directors therefore continue to adopt the going concern basis in preparing these financial statements.

The Directors are also satisfied that the Company has adequate resources in its own right to continue in operational existence for the foreseeable future, being 12 months from the date of signing these financial statements.

Turnover

Turnover is the total amount receivable by the Group for goods supplied and services provided, excluding VAT. Turnover from other contract activities represents fee income receivable in respect of services provided during the period. Estimates are included of amounts not yet invoiced. The Company defers other fees receivable and brings these fees into revenue in line with the degree of completion of the service delivery.

Tangible fixed assets and depreciation

Assets are stated at cost less accumulated depreciation. Depreciation is calculated to write down the cost less estimated residual value of all tangible assets by equal annual instalments over their expected useful lives. The rates generally applicable are:

Fixtures, fittings, tools and equipment - 20%

Plant and machinery - 20%

Intangible fixed assets and amortisation

Assets are stated at cost less accumulated amortisation. Amortisation is calculated to write down the cost less estimated residual value of all intangible assets by equal annual instalments over their expected useful lives. The amortisation charge appears in the administrative expenses line on the face of the Consolidated Profit and Loss Account.

The rates generally applicable are:

Software - 14% - 20%

Fixed asset investments

Investments in subsidiaries are accounted for at cost less impairment in the individual Company financial statements.

Financial instruments

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Management & Training Corporation Limited (formerly MTCnovo Limited)

Notes forming part of the financial statements for the year ended 31 December 2018 (*continued*)

1. Accounting policies (*continued*)

Financial instruments (continued)

Debt instruments that have no stated interest rate (and do not constitute a financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Commitments to make and receive loans are measured at cost less impairment.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amount and the Group intends to settle on a net basis, or to realise the financial asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the Company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date. Deferred tax balances are not discounted.

Pension costs - defined benefit schemes

During the year the Group participated in defined benefit pension schemes for the benefit of its employees. The assets of these schemes are administered by trustees in funds independent from the assets of the Company.

Pension Cost – GMPF

During the year the Group participated in a Local Government Pension Scheme administered by the Greater Manchester Pension Fund (GMPF). Employer contributions to the pension scheme were £2.9m for the year to 31 December 2018 (2017: £3.1m).

Management & Training Corporation Limited (formerly MTCnovo Limited)

Notes forming part of the financial statements for the year ended 31 December 2018 (*continued*)

1. Accounting policies (*continued*)

Pension Cost – GMPF (continued)

The Group has no obligation to meet the cost of any deficits on the schemes. The Secretary of State for Justice has provided a guarantee to the GMPF for pension liabilities that transferred to the Group and as such the pension schemes are accounted for as if they were defined contribution schemes. Pension costs charged against operating profit are the contributions payable to the schemes in respect of the accounting period.

Pension Cost - CSP

During the year, the Company also participated in the Civil Service Pension Scheme administered by MyCSP Limited, which is a defined benefit pension scheme for the benefit of its employees. The assets of the scheme are administered by trustees in funds independent from the assets of the Company. Employer contributions to the pension scheme were 20.9% (2017: 20.9%) for the twelve months to 31 December 2018. Total Employer contributions to the pension scheme were £16k for the year to 31 December 2018 (2017: £3k).

Pension costs - GPP

During the year The Group participated in a GPP contribution scheme for the benefit of its employees. This scheme was administered by the Royal London. Employer contributions to the scheme were £0.6m for the year to 31 December 2018 (2017: £0.2m).

Operating leases

Rentals under operating leases (net of any incentives received from the lessor) are charged to the Profit and Loss Account on a straight-line basis.

Foreign Currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Exchange differences are recognised in profit or loss in the period in which they arise.

2. Turnover

Turnover and profit on ordinary activities before tax are attributable to the principal activity of providing rehabilitation services. All turnover arises solely within the UK.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on the professional judgement of experts and other factors. Actual results may differ from these estimates.

Management & Training Corporation Limited (formerly MTCnovo Limited)

Notes forming part of the financial statements for the year ended 31 December 2018 (*continued*)

3. Critical accounting judgements and key sources of estimation uncertainty (*continued*)

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

The following are the critical estimates that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Key sources of estimation uncertainty

Recognition of pay by results (PbR) revenue

The payment mechanism in the current CRC Secretary of State contracts makes provision for bonus payments and penalty deductions according to the CRC's performances in reducing re-offending rates against contractual baselines. Uncertainties relating to the actual re-offending rates of the cohorts of service users who are under the supervision of the CRC's in the assessment period mean that it is not possible to calculate any potential bonus or penalty with adequate certainty until the measurement period is nearly completed. Although any potential bonus or penalty is not recognised until the measurement period is nearly finished, there is still the following analysis period where any potential bonus or penalty may be subject to change. At 31 December 2018 £1.9m (2017: £0.9m) is included in accrued income in relation to PbR (see note 12).

Impairment Review

Following the May 2019 MoJ announcement of the future restructuring of Probation services when the current CRC contracts expire in December 2020, an impairment review was carried out. This review showed that the carrying value of the assets forming the cash generating unit can be supported by the future cash flows expected to be derived. The carrying amount of the assets making up the cash generating unit as at 31 December 2018 was £14.4m.

IT Provision

The Other provision (see note 15) relates to IT and matters currently under query with an IT supplier, this reflects the best estimate of the amount the Company expects to pay to settle all outstanding disputed items.

There are no critical judgements for the year ended 31 December 2018.

Management & Training Corporation Limited (formerly MTCnovo Limited)

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

4. Information regarding directors and employees

Directors

Remuneration of the Group's Directors in respect of their services, and of the highest paid Director, was as follows:

	31 Dec 2018 £'000	31 Dec 2017 £'000
Emoluments	707	709
	<u>707</u>	<u>709</u>
Remuneration of the highest paid director	<u>235</u>	<u>218</u>

The total emoluments figure for the 12 months ended 31 December 2018 includes £50k (2017: £45k) of pension contributions, of which £nil (2017: £28k) relates to the highest paid director.

The Group does not have a set Chairman; a member of the Board is appointed Chairman each time the Board convenes.

The above remuneration related to the directors of The London Community Rehabilitation Company Limited and The Thames Valley Community Rehabilitation Company Limited. No Management and Training Corporation Limited directors received compensation from the Company for their services during the year.

There were three directors (2017: three) directly employed by the Group to whom retirement benefits were accrued during the year. These directors belonged to a Defined Benefit Pension (guaranteed by the Secretary of State so accounted for by the Group as a defined contribution scheme) and Defined Contribution scheme. The aggregate amount of compensation for loss of office paid to directors in the year was £nil (2017: £nil).

Staff numbers and costs

	Group 31 Dec 2018 No	Group 31 Dec 2017 No	Company 31 Dec 2018 No	Company 31 Dec 2017 No
Monthly average number of persons employed				
Operations	1,196	1,143	173	166
Administration	165	157	88	48
	<u>1,361</u>	<u>1,300</u>	<u>261</u>	<u>214</u>

Management & Training Corporation Limited (formerly MTCnovo Limited)

Notes forming part of the financial statements for the year ended 31 December 2018 (*continued*)

4. Information regarding directors and employees (*continued*)

Staff costs during the year (including Directors)

	Group 31 Dec 2018	Group 31 Dec 2017	Company 31 Dec 2018	Company 31 Dec 2017
	£'000	£'000	£'000	£'000
Wages and Salaries	48,030	41,966	10,098	9,545
Social security costs	3,995	3,150	1,044	690
Pension costs	3,666	3,620	493	131
	<u>55,691</u>	<u>48,736</u>	<u>11,635</u>	<u>10,366</u>

Redundancy costs of £345k (2017: £604k) were recognised in the year.

5. Net Finance Costs

	Group 31 Dec 2018 £'000	Group 31 Dec 2017 £'000
Interest receivable:		
Bank interest	10	-
Other interest receivable and similar charges	5	-
Total interest receivable	<u>15</u>	<u>-</u>
Interest payable:		
Interest payable to parent undertaking	(517)	(458)
Other interest payable and similar charges	-	(6)
Total interest payable	<u>(517)</u>	<u>(464)</u>
Net interest payable and similar charges	<u>(502)</u>	<u>(464)</u>

Management & Training Corporation Limited (formerly MTCnovo Limited)**Notes forming part of the financial statements for the year ended 31 December 2018 (continued)****6. Profit before taxation**

	Group 31 Dec 2018 £'000	Group 31 Dec 2017 £'000
Profit before taxation is stated after charging:		
Depreciation - owned tangible assets	318	280
Amortisation - Intangible assets	150	5
Loss on disposal of assets (see note 9)	84	-
Lease rentals - hire of vehicles and other plant and machinery	45	16
Lease rentals - property	618	780
Fees payable to the Company's Auditor for audit of the Group's financial statements	57	56

7. Tax on profit

	Group 31 Dec 2018 £'000	Group 31 Dec 2017 £'000
<i>Current tax</i>		
UK corporation tax (credit)/charge		
- current period	-	863
- adjustment in respect of prior period	(292)	-
Total current tax (credit)/charge for the period	(292)	863
<i>Deferred tax</i>		
Origination & reversal of temporary differences	189	(6)
Changes in tax rates	-	(4)
Total Deferred Tax Charge/(credit) for the period	189	(10)
Total tax (credit)/charge on profit on ordinary activities	<u>(103)</u>	<u>853</u>

Management & Training Corporation Limited (formerly MTCnovo Limited)

Notes forming part of the financial statements for the year ended 31 December 2018 (*continued*)

7. Tax on profit (continued)

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

	Group 31 Dec 2018 £'000	Group 31 Dec 2017 £'000
profit on ordinary activities before tax	<u>62</u>	<u>4,393</u>
Tax at average 19% (2017: 19.25%) effective rate	12	846
<i>Effects of:</i>		
Income not taxable/expenses not (deductible)	17	5
Impact of statutory rate change	160	2
Adjustments in respect of prior periods	<u>(292)</u>	<u>-</u>
Total current tax (credit)/charge for the year	<u>(103)</u>	<u>853</u>

The UK corporation tax rate decreased from 20% to 19% from 1 April 2017. Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Management & Training Corporation Limited (formerly MTCnovo Limited)

Notes forming part of the financial statements for the year ended 31 December 2018 (*continued*)

8. Intangible fixed assets

Group

	Assets under construction	Software	Total
	£'000	£'000	£'000
<i>Cost</i>			
At 1 January 2018	5,081	95	5,176
Additions	1,960	-	1,960
Asset completion	(6,294)	6,294	-
Write-off	(325)	-	(325)
At 31 December 2018	422	6,389	6,811
<i>Amortisation</i>			
At 1 January 2018	-	92	92
Provided in year	-	150	150
At 31 December 2018	-	242	242
<i>Net book value</i>			
At 31 December 2018	422	6,147	6,569
At 1 January 2018	5,081	3	5,084

Intangible fixed assets under construction of £325k were expensed as they were not deemed to be capitalisable.

Company

	Assets under construction	Software	Total
	£'000	£'000	£'000
<i>Cost</i>			
At 1 January 2018	2,908	-	2,908
Additions	1,960	-	1,960
Internal Transfers	1,848	-	1,848
Asset completion	(6,294)	6,294	-
At 31 December 2018	422	6,294	6,716
<i>Amortisation</i>			
At 1 January 2018	-	-	-
Provided in year	-	147	147
At 31 December 2018	-	147	147
<i>Net book value</i>			
At 31 December 2018	422	6,147	6,569
At 1 January 2018	2,908	-	2,908

Management & Training Corporation Limited (formerly MTCnovo Limited)

Notes forming part of the financial statements for the year ended 31 December 2018 (*continued*)

8. Intangible fixed assets (continued)

During 2018, the Group began the implementation of Omnia, the new case management system. Capitalised costs were therefore moved from Assets under Construction to Software and began being depreciated over their useful economic life.

9. Tangible fixed assets

Group

	Plant and machinery owned £'000	Fixtures and Fittings £'000	Total £'000
<i>Cost</i>			
At 1 January 2018	1,101	169	1,270
Additions	190	382	572
Internal Transfer	(435)	588	153
Disposal	-	(228)	(228)
At 31 December 2018	856	911	1,767
<i>Depreciation</i>			
At 1 January 2018	580	54	634
Internal Transfer	(18)	130	112
Provided in year	74	244	318
Disposal	-	(113)	(113)
At 31 December 2018	636	315	951
<i>Net book value</i>			
At 31 December 2018	220	596	816
At 31 January 2018	521	115	636

Management & Training Corporation Limited (formerly MTCnovo Limited)

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

9. Tangible fixed assets (continued)

Company

	Plant and machinery owned £'000	Fixtures and Fittings £'000	Total £'000
<i>Cost</i>			
At 1 January 2018	-	-	-
Additions	51	307	358
Internal transfer	-	20	20
At 31 December 2018	51	327	378
<i>Depreciation</i>			
At 1 January 2018	-	-	-
Provided in year	5	90	95
At 31 December 2018	5	90	95
<i>Net book value</i>			
At 31 December 2018	46	237	283
At 1 January 2018	-	-	-

10. Fixed asset investments

	Company 2018 £'000	Company 2017 £000
Subsidiary undertakings	452	452
Total	452	452

All subsidiary undertakings are consolidated within the Group and therefore the Group holds £nil investments in subsidiary undertakings (31 December 2017: £nil).

Management & Training Corporation Limited (formerly MTCnovo Limited)

Notes forming part of the financial statements for the year ended 31 December 2018 (*continued*)

10. Fixed asset investments (continued)

Principal Group investments

The parent Company and the Group have investments in the following subsidiary undertakings, associates and other significant investments.

Subsidiary undertakings	Country of incorporation	Principal activity	Holding	%
The London Community Rehabilitation Company Limited	UK	The justice and judicial activity of providing rehabilitation services.	Ordinary Shares	100
The Thames Valley Community Rehabilitation Company Limited	UK	The justice and judicial activity of providing rehabilitation services.	Ordinary Shares	100

Subsidiary companies have the same registered office as Management & Training Corporation Limited.

Subsidiary undertakings - Company

	£'000
Cost	
At 31 December 2017	452
Provisions for impairment	-
At 31 December 2018	-
Carrying value – Company	452

All subsidiary undertakings have been included in the consolidation.

Management & Training Corporation Limited (formerly MTCnovo Limited)

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

11. Acquisition of subsidiary undertakings

No acquisitions were made in the year.

The company owns 100 per cent of the issued ordinary share capital of the London Community Rehabilitation Company Limited, a Company whose primary activity is the justice and judicial activity of providing rehabilitation services, for a consideration of £408k.

In the year ended 31 December 2018, turnover of £69.2m (31 December 2017: £74.8m) and profit of £2.3m (31 December 2017: £5.2m) was included in the consolidated Profit and Loss Account in respect of the London Community Rehabilitation Company Limited.

The company also owns 100 per cent of the issued ordinary share capital of the Thames Valley Community Rehabilitation Company Limited, a company whose primary activity is the justice and judicial activity of providing rehabilitation services, for a consideration of £44k.

In the year ended 31 December 2018, turnover of £14.3m (31 December 2017: £14.4m) and profit of £0.6m (31 December 2017: £1.8m) was included in the consolidated Statement of Income and Retained Earnings in respect of the Thames Valley Community Rehabilitation Company Limited.

12. Debtors

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
<i>Amounts falling due within one year:</i>				
Trade debtors	2,080	9,157	1,068	-
Other debtors	416	1,959	190	66
Deferred tax asset (note 13)	122	311	21	154
Corporation tax	631	511	24	-
Amounts owed by Subsidiary Undertakings	-	-	479	3,583
Deferred mobilisation and transformation costs	7,201	12,695	3,767	5,616
Prepayments and accrued income	11,529	4,316	1,464	1,888
Total current debtors	21,979	28,949	7,013	11,307
<i>Amounts falling due after more than one year:</i>				
Non-current prepayment & accrued Income	2,276	-	236	-
Amounts owed by Group Undertakings	-	-	-	4,000
Total non-current debtors	2,276	-	236	4,000
Total debtors	24,255	28,949	7,249	15,307

The loan principal of £4.0m owed by Group Undertakings was settled in 2018. During the year, interest on the outstanding loan principal was paid at a rate of LIBOR plus 175 basis points. Interest was calculated on the basis of the actual number of days elapsed and a 360 day year and accrued from day to day. Amounts owed by subsidiary undertakings are unsecured and repayable on demand.

Management & Training Corporation Limited (formerly MTCnovo Limited)

Notes forming part of the financial statements for the year ended 31 December 2018 *(continued)*

13. Deferred tax asset

Details of the deferred tax asset, and amounts recognised in profit or loss is as follows:

Group

	Fixed asset temporary differences £'000	Intangible asset temporary differences £'000	Short term temporary differences £'000	Lossees £'000	Total £'000
At 1 January 2017	174	21	106	-	301
(Charged)/credited to P&L	(4)	(1)	15	-	10
At 31 December 2017	170	20	121	-	311
(Charged)/credited to P&L	(111)	(20)	(79)	21	(189)
As at 31 December 2018	59	-	42	21	122

Company

	Fixed asset temporary differences £'000	Intangible asset temporary differences £'000	Short term temporary differences £'000	Lossees £'000	Total £'000
At 1 January 2017	131	18	4	-	153
Credited/(charged) to P&L	3	(1)	(1)	-	1
At 31 December 2017	134	17	3	-	154
(Charged)/credited to P&L	(134)	(17)	(3)	21	(133)
As at 31 December 2018	-	-	-	21	21

Finance (No 2) Act 2015, enacted on 18 November 2015, included provision for the main rate of corporation tax to reduce from 20% to 19% from 1 April 2017. Finance Act 2016, enacted on 15 September 2016, included further provision for the main rate of corporation tax to reduce from 19% to 17% from 1 April 2020. This will reduce the company's future tax charge and deferred tax balances have been restated accordingly.

Management & Training Corporation Limited (formerly MTCnovo Limited)

Notes forming part of the financial statements for the year ended 31 December 2018 (*continued*)

14. Creditors

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
<i>Amounts falling due within one year</i>				
Trade creditors	476	2,215	293	296
Other creditors	625	1,353	58	308
Amounts owed to Subsidiary Undertakings	11,087	400	17,813	291
Corporation tax	-	223	-	-
Other taxes and social security	2,991	3,967	535	314
Accruals and deferred income	15,284	12,403	3,981	1,389
Total creditors due within one year	30,463	20,561	22,680	2,598
<i>Amounts falling due after more than one year</i>				
Amounts owed to group undertakings	10,000	20,000	10,000	20,000
Total creditors due after more than one year	10,000	20,000	10,000	20,000
Total creditors	40,463	40,561	32,680	22,598

Amounts due to fellow group undertakings are unsecured and repayable on demand. Amounts totalling £11,087k are expected to be settled in less than one year (2017: £400k), £10,000 of the £11,087k amounts owed to group undertakings due in less than one year, relates to the £10,000 loan from Novo Community Limited which was repaid in January 2019. The remaining loan principal of £10.0m with Management & Training Corporation (UK) Limited is expected to be settled after more than one year. Save as is otherwise agreed by Management & Training Corporation Limited and its parents, the former shall pay interest on the outstanding loan principal at a rate of LIBOR plus 175 basis points per annum. Interest will be calculated on the basis of the actual number of days elapsed and a 360 day year and shall accrue from day to day.

Management & Training Corporation Limited (formerly MTCnovo Limited)

Notes forming part of the financial statements for the year ended 31 December 2018 (*continued*)

15. Provisions for liabilities

Group	Dilapidations provision £'000	Other provision £'000	Total £'000
At 1 January 2018	397	2,306	2,703
- Additions	-	43	43
- utilised in the year	(46)	-	(46)
At 31 December 2018	351	2,349	2,700

The Dilapidations provision relates to the Rainsbrook Secure Training Centre and the amount provided to reflect the cost to put the centre back to the condition expected if vacated, this amount is expected to be incurred before the end of the current Contract in 2021.

The Other provision primarily relates to IT and matters currently under query with an IT supplier, this reflects the best estimate of the amount the Group expects to pay to settle all outstanding disputed items, £2,261k of the Other Provision is expected to be settled within one year and the remainder settled in one to two years.

Company	Dilapidations provision £'000	Other provision £'000	Total £'000
At 1 January 2018	397	17	414
- additions	-	25	25
- utilised in the year	(46)	-	(46)
At 31 December 2018	351	42	393

The Company's Other Provision is expected to be settled in one to two years.

16. Called up Share capital

	Group and Company 2018 £	Group and Company 2017 £
<i>Issued, called up and fully paid</i>		
50 ordinary 'A' shares of £1 each	50	50
50 ordinary 'B' shares of £1 each	50	50
	100	100

All ordinary shares were issued on the 28 October 2014 when the Company was incorporated. A and B Shares rank equally in all respects but constitute separate classes of shares.

The only other reserve the Group and Company has is the Profit and Loss reserve which represents the cumulative results for the Group and Company, respectively since inception.

Management & Training Corporation Limited (formerly MTCnovo Limited)

Notes forming part of the financial statements for the year ended 31 December 2018 (*continued*)

17. Reconciliation of operating profit and cash generated by operations

	Group 2018 £'000	Group 2017 £'000
Operating Profit	564	4,857
Depreciation and Amortisation	468	285
Amortisation of Deferred mobilisation cost	3,217	-
(Increase)/decrease in trade debtors	7,077	(8,187)
Decrease/(increase) debtors	(5,670)	9,566
Increase/(decrease) in creditors	114	2,356
Net cash flow from operating activities	5,770	8,877

18. Pensions

Pension costs - defined benefit schemes

Pension costs - GMPF

During the year the Group participated in the Local Government Pension Scheme which is administered by the Greater Manchester Pension Fund (GMPF). Employer contributions to the pension scheme were 14% for the year to 31 December 2018 and total employer pension contributions for the year were £2.9m (2017: £3.1m). The assets of these schemes are administered by trustees in funds independent from the assets of the Company.

The Group has no obligation to meet the cost of any deficits on the schemes. The Secretary of State for Justice has provided a guarantee to the GMPF for pension liabilities that transferred to the CRCs and as such the pension schemes are accounted for as if they were defined contribution schemes. Pension costs charged against operating profit are the contributions payable to the schemes in respect of the accounting period.

Pension costs - defined contribution schemes

Pension costs - GPP

During the year the Group also participated in a defined contribution scheme for the benefit of its employees. This scheme was administered by the Royal London. Employer contributions to the pension scheme were £0.6m (year ended 31 December 2017: £0.2m) in year ended 31 December 2018.

In the year ended 31 December 2017, employees seconded into Management & Training Corporation Limited from Management & Training Corporation (UK) Limited and Novo Community Limited took part in their parent Company's pension schemes and full disclosures may be found in the parent Company financial statements.

Management & Training Corporation Limited (formerly MTCnovo Limited)

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

19. Financial and capital commitments

At 31 December 2018, the Group had total future minimum payments for non-cancellable operating lease commitments that expire:

	Other 31 Dec 2018 £'000	Property 31 Dec 2018 £'000	Total 2018 £'000	Other 31 Dec 2017 £'000	Property 31 Dec 2017 £'000	Total 2017 £'000
Within one year	45	689	734	19	605	624
In second to fifth year	71	2,089	2,160	44	1,151	1,195
After fifth year	-	-	-	-	-	-
Total lease commitments	116	2,778	2,894	63	1,756	1,819

The Company had no financial commitments at 31 December 2018 (31 December 2017: £nil).

The Group had no capital commitments at 31 December 2018 (31 December 2017: £nil).

20. Contingent liabilities

There were no contingent liabilities as at 31 December 2018 (31 December 2017: £nil).

21. Related Party transactions

Management & Training Corporation Limited (formerly MTCnovo Limited) is wholly owned by Management & Training Corporation (UK) Limited. On 9 January 2019, Management & Training Corporation (UK) Limited purchased 50% of Management & Training Corporation Limited's share capital from Novo Community Limited. Prior to 9 January 2019, MTCnovo was a joint venture between Novo Community Limited and Management & Training Corporation (UK) Limited, with both parents owning 50% share capital.

Management & Training Corporation Limited undertook the following related party transactions with its parents during the year ended 31 December 2018:

During 2015, the Group borrowed £10.0m from Novo Community Limited and £10.0m from Management and Training Corporation (UK) Limited, no further amounts have been drawn down from Management & Training Corporation Limited's parent companies in the year. As part of the sale of Novo Community Limited's share in Management & Training Corporation Limited to Management & Training Corporation (UK) Limited, Management & Training Corporation Limited repaid its £10.0m loan from Novo Community Limited in January 2019. The remaining loan principal with Management & Training Corporation (UK) Limited is expected to be settled after more than one year. Save as is otherwise agreed by Management & Training Corporation Limited and its shareholders, the former shall pay interest on the outstanding loan principal at a rate

Management & Training Corporation Limited (formerly MTCnovo Limited)

Notes forming part of the financial statements for the year ended 31 December 2018 (*continued*)

21. Related Party transactions (*continued*)

of LIBOR plus 175 basis points per annum. Interest will be calculated on the basis of the actual number of days elapsed and a 360 day year and shall accrue from day to day.

Novo Community Limited and Management and Training Corporation (UK) Limited each charged loan interest of £261k (2017: £229k) to Management & Training Corporation Limited in the year. In total £284k of loan interest was outstanding at 31 December 2018 (2017: £229k).

During the year, no staff costs were recharged to Management & Training Corporation Limited from Amey PLC group companies (2017: £0.7m) or Management and Training Corporation (UK) Limited (2017: £0.9m). During 2018, Amey PLC group companies recharged other costs of £0.4m (2017: £0.5m) and Management and Training Corporation Limited (UK) recharged other costs of £0.1m (2017: £0.8m) into Management & Training Corporation Limited. As at 31 December 2018, Management & Training Corporation Limited owed Amey PLC group companies accrued and invoiced costs of £0.03m (2017: £0.1m) and Management and Training Corporation (UK) Limited accrued and invoiced costs of £0.5m (2017: £0.2m).

Management & Training Corporation Limited undertook the following related party transactions with its subsidiary undertakings during the year:

Management & Training Corporation Limited charged loan interest of £67k (2017: £91k) and made management recharges of £13.9m (2017: £nil) to the London Community Rehabilitation Company Limited.

At 31 December 2018, the London Community Rehabilitation Company Limited owed Management & Training Corporation Limited £7.3m (2017: £6.4m). Amounts due to fellow group undertakings are unsecured and repayable on demand. Amounts totalling £7.3m (2017: £2.4m) are expected to be settled in less than one year. During the year the London Community Rehabilitation Company Limited repaid its £4.0m loan principal to Management & Training Corporation Limited (year ended 31 December 2017 loan principal outstanding: £4.0m). Save as is otherwise agreed by the London Community Rehabilitation Company Limited and its parent, the former paid interest during the year on the outstanding loan principal at a rate of LIBOR plus 175 basis points per annum. Interest was calculated on the basis of the actual number of days elapsed and a 360 day year and accrued from day to day.

Management & Training Corporation Limited made management recharges of £3.1m (2017: £nil) to the Thames Valley Community Rehabilitation Company Limited in the year ended 31 December 2018.

At 31 December 2018, The Thames Valley Community Rehabilitation Company Limited owed Management & Training Corporation Limited £0.4m (2017: £1.2m). Amounts due to fellow group undertakings are unsecured, repayable on demand and are expected to be settled in less than one year.

Management & Training Corporation Limited (formerly MTCnovo Limited)

Notes forming part of the financial statements for the year ended 31 December 2018 (*continued*)

22. Ultimate Parent undertakings

During the year, Management & Training Corporation Limited (formerly MTCnovo Limited) was a joint venture between Novo Community Limited and Management & Training Corporation (UK) Limited, with both parents owning 50% of its ordinary share capital, therefore there was no single ultimate parent company.

Subsequently, on 9 January 2019, Management & Training Corporation (UK) Limited purchased Novo Community Limited's 50% share of Management & Training Corporation Limited share capital and become Management & Training Corporation Limited sole shareholder.

Copies of the financial statements of Amey UK plc, the ultimate holding Company of Novo Community Limited in the UK and the parent of the smallest group for which group financial statements are prepared and of which the Company is a member, can be obtained from its registered office:

Head Office
The Sherard Building
Oxford Science Park
Oxford
OX4 4DQ

The ultimate parent undertaking and controlling party of Management & Training Corporation (UK) Limited is Management & Training Corporation, a private company incorporated in the USA.

500 North Marketplace Drive
Centerville, UT 84014, USA

Ferrovial, S.A., a Company incorporated in Spain is the ultimate parent of Amey UK plc and the parent of the largest group for which financial statements are prepared and of which the Company is a member. Copies of the group financial statements of Ferrovial, S.A., can be obtained from its registered office:

Ferrovial, S.A.
Principe de Vergara, 135
28002 Madrid
Spain

Management & Training Corporation Limited (formerly MTCnovo Limited)

Notes forming part of the financial statements for the year ended 31 December 2018 (*continued*)

23. Subsequent Events

On 9 January 2019, Management & Training Corporation (UK) Limited purchased Novo Community Limited's 50% share of Management & Training Corporation Limited's share capital and become Management & Training Corporation Limited's sole shareholder. As part of the transaction the Group repaid its £10.0m loan to Novo Community Limited.

In May 2019, The Ministry of Justice ("MoJ") announced plans for the future of probation. Under the plans, The National Probation Service will be responsible for managing all service users on community order or license following their release from prison in England and Wales. As part of the announcement, the MoJ announced that there will be a significant and more clearly defined role for the voluntary and private sector in the delivery of unpaid work, accredited programmes and resettlement and rehabilitative initiatives and that they are committed to increasing innovation through this approach.

This operating model will be significantly different to the first generation CRC contracts which are due to expire in December 2020. Management & Training Corporation Limited remains committed to playing a key role in probation services and over the forthcoming months will be reviewing what the announcement means and opportunities available under the second generation probation contracts.