Report and Financial Statements

2016-17

Disabled People's Employment Corporation (GB) Limited

DPEC (GB) Ltd

5 New Street Square

London

EC4A 3TW

Contents

Disabled People's Employment Corporation (GB) Limited Report and financial statements 2017

Registered Office

5 New Street Square
London
EC4A 3TW

Registered number: 394532 (England and Wales)

Bankers

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

Auditor

Deloitte LLP
4 Brindley Place
Birmingham
B1 2HZ

Solicitors

Michelmores LLP
Woodwater House
Pynes Hill
Exeter
EX2 5WR

Taylor Wessing LLP
5 New Street Square
London
EC4A 3TW

Capital Law LLP
Capital Building
Tyndall Street
Cardiff
CF10 4AZ

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Performance Report

Chairman’s Review

Introductory Statement

The directors of the Disabled People’s Employment Corporation (GB) Limited (“DPEC” or the “Company”) present the annual report and financial statements for the year ended 31 March 2017.

The Company is a private Company without share capital and is limited by guarantee of the Secretary of State for Work and Pensions (the “Secretary of State”). The Company is a Non-Departmental Public Body sponsored by the Department for Work and Pensions (“DWP” or the “Department”).

The Company sold its Employment Service business in April 2015. The background and details were set out in last year’s annual report. As a result, the Company is now largely dormant, is moving towards closure and is wholly funded by DWP.

Following the sale, the Company retained various assets and liabilities that were not commercially viable for the purchaser to acquire or were unrelated to the Employment Services business, primarily those related to the Company’s former factory businesses. These assets and liabilities included: responsibility for the Remploy pension scheme; some properties; and historic claims made against the Company.

Performance

Since April 2015, the directors have been focussed on the goal of a solvent winding-up, disposing of the Company’s assets and settling liabilities, always seeking to achieve the best value for money for the taxpayer.

The directors had expected to place the Company into Members’ Voluntary Liquidation (MVL) during 2016-17, but it has been delayed whilst we await completion on the sale of the final factory premises.

Nevertheless, we have made substantial progress during 2016-17. We have reviewed and reduced the Company’s liabilities, with a view to ensuring we can give the necessary assurances that the Company is solvent when it enters MVL.

Most notably, on 1 April 2016, the Secretary of State took direct responsibility as principal employer of the Remploy Ltd Pension and Assurance Scheme. We have also settled all outstanding Employment Tribunal claims and put in place a buy-out plan for the Company’s existing insurance providers to take financial responsibility for all current and future Employer liability claims.

As a result, the Company’s affairs have been significantly simplified during 2016-17 and the Company’s cash holdings are reducing as we move towards closure.

Financial results

DPEC no longer receives income from trading activities (revenue for 2016-17 was £0k, down from £264k in 2015-16).

The Board has made considerable efforts to limit its Operating and Finance costs in 2016-17 to ensure the overall loss of the Company is kept to a minimum.

In 2015-16, the Company repaid £3m to the Department. However, as a result of the delayed property sale, the Department has issued £900k Grant-In-Aid Funding, to supplement the reduced cash holdings. Taking account of this income, the pre-tax loss for 2016-17 is £153k.

Employees

The Company no longer has any direct employees, but I would like to thank the Board, advisors, contractors and DWP staff who have worked hard, providing expertise and diligence to aid the Company in its final stages.

Outlook

We will continue to deal with the remaining legacy issues as efficiently and cost-effectively as possible.

We have appointed Price Waterhouse Coopers (PwC) to advise us in these final stages, and we intend to close the Company, via a solvent liquidation, as soon as is practicable as we believe this will provide the best value for money for the public purse.

Ian Russell CBE

Chairman

21 June 2017

Strategic Report

The Directors present the Strategic Report for the Company for the year ended 31 March 2017. In preparing this Strategic Report, the Directors have complied with s414C of the Companies Act 2006.

Review of the Business

The Company is continuing its focus on achieving closure, disposing of legacy assets and liabilities with the objective of achieving best value for money for the taxpayer.

Performance

We are working to a well-established plan for resolving the remaining assets and liabilities, with the ultimate goal of a solvent winding-up. This plan has been developed in collaboration with DWP and our appointed advisers, PwC.

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

- We have sold all but one of the remaining factory properties. We expect this sale to complete during 2017.
- We have appointed PwC who will act for the Company once it enters MVL.
- We have put in place arrangements to manage DPEC's obligations under employers' liability insurance and some product warranties.
- We have concluded the tribunal hearing of unfair dismissal and related claims connected with the former factory businesses, dating back to 2013 (note 7).

Financial results

Total revenue for the year was £900k (2015: (£2.736m)) which relates entirely to £900k Grant-in-Aid provided by DWP to offset the delayed sale of the final factory property and following the payment of £3m from the Company to DWP in 2015-16.

The Company continues to use its existing cash balances to cover operational and finance costs.

The Company's operating losses were £153k (2016 losses were £1.625m).

The Company's pre-tax loss for the year was £153k (2016: loss of £13.129m), including £4k (2016: £17k) bank interest received. There were no pension costs (2016: £1.572m).

The Company incurred no tax charge for the year.

The Company no longer has any directly employed staff.

Future Developments and Business Environment

PwC has provided advice to support the Company to realise its remaining legacy assets and liabilities and prepare for winding-up.

In addition to the provisions set out in the Main Agreement between the Company and Secretary of State, the Secretary of State has committed to fund the Company through to closure, and the Department has also given an undertaking that it will continue to provide sufficient funding to ensure that any net deficit will be fully funded until the Company is closed down.

Risk Management

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

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

- Effective delivery and pace of the closure programme;
- Potential claims made against the Company;
- Corporate memory and information governance.

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

These risks were reported to the Board through the strategic risk register and within the closure programme updates.

To support the effective management of information risks, the Cabinet Office designates requirements for public bodies to provide information on personal data related incidents. During 2016-17 and up to the date of signing of these Accounts, no incidents have occurred that would require reporting under these provisions (2015-16: none).

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

Approved by the Board and signed on its behalf by:

Helen John

Chief Executive

21 June 2017

Current Members of the Board

Ian Russell CBE Chairman	Ian joined the Company as Non-Executive Chairman in January 2007. He is also chairman of HICL Infrastructure Company and Scottish Futures Trust, and a non-executive director of The Mercantile Investment Trust and Aberdeen Diversified Income and Growth Trust. Previously Ian worked for Scottish Power, HSBC and Mars.
John Osmond Non-executive Director	John was appointed to the Board as Non-executive Director in October 2011. His 35 years' experience in the Information Technology and Services Industry encompasses senior management positions in alliance management, strategy, transformation consultancy, programme and risk management. In addition to his position with the Company, John is a Director of the Compaid Trust - a Kent based charity supporting disabled people - and a Justice of the Peace.
Helen John FCA Chief Executive	Helen joined the Board on 7 April 2015 as Chief Executive and was appointed as the Company's Accounting Officer. Helen is a Senior Civil Servant, employed by the Department for Work and Pensions as head of the team responsible for DWP's Arm's Length Bodies. Helen is a Chartered Accountant with many years' experience in both the public and private sectors, including more than twenty years at HM Treasury and DWP in policy and finance roles. Helen is also a trustee of Avenues Group - a charity supporting people with learning disabilities, an independent member of the Audit Committee for the Driver and Vehicle Licensing Agency and a Non-executive Director of BPDTS Ltd.
Iain Bagwell GCMA Finance Director	Iain joined the Board on 1 March 2016 as Finance Director. Iain is also a Senior Finance Business Partner at DWP for the Strategy, Policy and Analysis Group, including DWP's Arm's Length Body community. Iain is a qualified accountant and has previously held roles for the National Offender Management Service.

Accountability Report

Directors' Report

The Directors present their 72nd annual report on the affairs of the Company, together with the financial statements and auditor's report for the year ended 31 March 2017. The Corporate Governance statement forms part of this report.

Principal activities

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

The Company was incorporated in 1945 with the principal objective of providing training and employment for registered severely disabled persons under special conditions. The Company is now no longer actively engaged in this, having disposed of the operating part of the Company in April 2015. Since then, we have resolved assets and liabilities in preparation for a solvent winding-up of the Company.

Environmental matters

We are committed to ensuring that, where practical, any adverse impact on the environment from our activities is minimised.

Health and safety

The Company has had no employees since June 2015. In the year 2016/2017 we reported no accidents under RIDDOR to the HSE (2015/16: zero incidents RIDDOR).

Going concern basis

The Company made a loss before tax of £153k in 2016/17 (2016: a loss of £13.129m), and has net current assets of £1.184m (2016: net current assets of £1.334m). The Company is reliant on funding from the DWP and the Directors have received confirmation from the DWP that on-going support in the form of Grant-in-Aid will be provided as required.

The Company is preparing to enter Members' Voluntary Liquidation, which it aims to achieve during 2017. Therefore, in accordance with their responsibilities, the Directors do not consider it appropriate to prepare the financial statements on the going concern basis.

Financial risk management objectives and policies

Details of risks along with actions taken by the Directors have been presented in note 17 of the financial statements.

Dividends

The Company is limited by guarantee and has no share capital and therefore does not pay dividends.

Directors

Details about directors of the Company are listed in the Corporate Governance report, and the Directors' and advisers' reports within this publication.

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

Information security

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

Personal data related incidents

There were no personal data related incidents in 2016-17 reported to the Information Commissioner (none reported in 2015-16).

Pension fund

In the past, the Company provided a pension scheme for its staff, the Remploy Ltd Pension and Assurance Scheme. DWP continues to guarantee to fund the pension scheme and respect the rights of its members. From 1 April 2016 this is done via the Secretary of State's direct responsibility as principal employer for the scheme, rather than through the Company. Therefore DWP now makes contributions to the scheme in line with a deficit recovery plan agreed with the Trustees. In 2016-17 the Company paid nothing towards the scheme (pension costs of £1.572m in 2015-16).

Auditor

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

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

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

Approved by the Board and signed on its behalf by:

Iain Bagwell

Finance Director

21 June 2017

Corporate Governance

Compliance

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

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

Board of Directors

The Board of Directors (the "Board") currently comprises a Non-executive Chairman, a Chief Executive, a Finance Director and a further independent Non-executive Director. The Chief Executive and Finance Director act as Executive Directors

The Directors were appointed by the Secretary of State.

The Chief Executive and Finance Director are employees of the DWP and receive no remuneration for their role on the Board, which they undertake alongside their work for the Department.

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

Board Performance Evaluation

A process of self-assessment evaluation of the Board and Directors has taken place every year. The areas for assessment continue to be:

- Assessment and performance improvement;
- Clarity of purpose;
- Tasks, code of practice and decision-making;
- Skills, contribution and composition;
- Building and management of agendas;
- Content, format, relevance of information and presentations; and
- Engagement, tone and style to maximise effectiveness.

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

Board Committees

As for the previous year 2015/16, the Board itself discharged the functions previously undertaken by the former Audit and Remuneration Committees. Separate agenda items for Audit were incorporated into the June 2016 and January 2017 Board meetings. As there are no remaining employees, a remuneration agenda item was not required.

Attendance at meetings during the year

All Directors were in attendance, either in person or by phone at all board meetings throughout the year, including those meetings in which Audit matters were discussed.

Company Executive

Management within the operational plan is delegated to the Executive Directors.

As well as the Board meetings, the Executive Directors held regular meetings to discuss progress with those working on the closure plan.

Accounting Officer

The Chief Executive, Helen John, remained the Accounting Officer. The Accounting Officer's role is to advise the Board and she is responsible for the duties set out in the Non-Departmental Public Bodies Accounting Officer memorandum. The Accounting Officer is responsible for assuring Parliament that:

- There is due propriety and regularity in the use of resources provided to the Company by the Secretary of State;

- Adequate accounting, audit and information systems exist to achieve proper financial management and control, performance information and value for money and efficiency improvements; and

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

Internal Controls

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

The Board has regard to the Risk Guidance. A review of the risk management process for significant risks was undertaken and is set out in the risk management policy document, which comprises procedures, strategies and review processes. Procedures and implementation are set around an extensive Strategic Risk framework which has been in place all year and is reviewed regularly by the Executive.

In addition, the Board and management are keeping under active review the need to maintain the system of internal control and risk management. This is reviewed regularly by the Board and accords with the Turnbull guidance. The Board confirms that necessary actions are being taken to remedy any significant weaknesses identified.

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

- Clear responsibilities for the maintenance of good financial controls and the production of accurate and timely financial management information;

- The control of key financial risks through clearly laid down authorisation levels and proper segregation of accounting duties; and

- Detailed monthly budgeting and reporting of financial results, balance sheets and cash flows, with regular review by management of variances from budgets.

The Board has reviewed the effectiveness of the system of internal controls for the period covered by the financial statements.

Related Party Transactions

During the year there were no transactions with related parties in line with the definition of a related party as set out in IAS 24 *Related Party Disclosures*.

By Order of the Board.

Directors' Responsibilities Statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). Under Company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are responsible for the maintenance and integrity of the corporate and financial information included in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility Statement

We confirm to the best of our knowledge:

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

Ian Russell CBE

By Order of the Board

the management reports, which are incorporated into the directors' report, include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face.

Helen John

Independent auditor's report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DISABLED PEOPLE'S EMPLOYMENT CORPORATION (GB) LIMITED

We have audited the financial statements of Disabled People's Employment Corporation (GB) Limited – ("DPEC") for the year ended 31 March 2017 which comprise the Income Statement, the Balance Sheet, the 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 International Financial Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, 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 statement in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatement or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- Give a true and fair view of the state of the Company's affairs as at 31 March 2017 and of its loss for the year then ended;

- Have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- Have been prepared in accordance with the requirements of the Companies Act 2006

Emphasis of matter- Financial statements prepared other than on a going concern basis

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

Opinion on other 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.

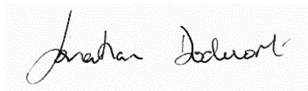
In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report

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

Johnathan Dodworth (Senior Statutory Auditor)



for and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom

Disabled People's Employment Corporation (GB) Limited

Income statement
Year ended 31 March 2017

		2017 £'000	2016 £'000
Revenue	6	-	264
Grant-in-aid: operational support/(refund)	5	900	(3,000)
Total revenue		900	(2,736)
Staff costs	9	(704)	3
Operating (charges)/income		(736)	588
Fair value increase of asset held for sale	14	387	-
Impairment	6	-	(874)
Gain on sale of investments	23	-	2,000
Loss on disposal of assets held for sale	7	-	(606)
Operating loss before pensions movement	7	(153)	(1,625)
Past service cost and loss due to scheme amendment	19	-	(1,572)
Finance income	10	4	17
Finance costs	10	(4)	(9,949)
Loss before tax		(153)	(13,129)
Taxation (expense)/credit	11	-	-
Loss for the year		(153)	(13,129)

All operations are discontinued.

Notes 1 to 23 are an integral part of these financial statements.

Statement of comprehensive income
Year ended 31 March 2017

	2017 £'000	2016 £'000
Actuarial gain on defined benefit scheme	-	60,440
Other comprehensive income	-	60,440
Loss for year	(153)	(13,129)
Total comprehensive (expense)/income for the year	(153)	47,311

Notes 1 to 23 are an integral part of these financial statements.

Disabled People's Employment Corporation (GB) Limited

Statement of financial position
Year ended 31 March 2017

	Note	2017 £'000	2016 £'000
Non-current assets			
Property, plant and equipment	12	-	-
Current assets			
Trade and other receivables	13	51	516
Cash and cash equivalents	15	190	1,998
Assets held for sale	14	1,026	639
		1,267	3,153
Total assets		**1,267**	**3,153**
Current liabilities			
Trade and other payables	16	(83)	(1,643)
Provisions	18	-	(173)
		(83)	**(1,816)**
Net current assets		1,184	1,337
Non-current liabilities			
Retirement benefit obligation	19	-	(243,475)
Total liabilities		**(83)**	**(245,291)**
Net assets/(liabilities)		**1,184**	**(242,138)**
Reserves			
Funded by the Secretary of State for Work and Pensions	5	**1,184**	**(242,138)**

Notes 1 to 23 are an integral part of these financial statements.

These financial statements of Disabled People's Employment Corporation (GB) Limited, registered number 394532 were approved by the Board of Directors on 21 June 2017.

Signed on behalf of the Board of Directors

Ian Russell CBE	Helen John	Iain Bagwell
Chairman	Chief Executive	Finance Director

Statement of changes in equity
Year ended 31 March 2017

	Notes	2017 £'000	2016 £'000
Balance at 1 April		(242,138)	(289,449)
Loss for the year		(153)	(13,129)
Other comprehensive income for the year		-	60,440
Capital contribution from DWP (transfer of pension scheme)		243,475	-
Balance at 31 March		1,184	(242,138)

Disabled People's Employment Corporation (GB) Limited

Statement of cash flows
Year ended 31 March 2017

	Notes	2017 £'000	2016 £'000
Loss for the year		(153)	(13,129)
Adjustments for			
Loss on disposal of assets held for sale	7	-	606
Gain on investments	23	-	(2,000)
Interest paid		4	17
Fair value increase of asset held for sale	14	(387)	-
Impairment of property, plant and equipment	6	-	874
Retirement benefit scheme non-cash movements		-	11,516
Operating cash flows before movement in working capital		(536)	(2,116)
Decrease in trade and other receivables	13	466	3,554
Decrease in trade and other payables	16	(1,561)	(10,583)
Decrease in provisions for other liabilities and charges	18	(173)	(2,896)
Cash generated from operations		**(1,804)**	**(12,041)**
Investing activities			
Proceeds of disposal of assets held for sale		-	1,444
Proceeds of sale of investments	23	-	2,000
Interest received	10	(4)	(17)
Purchase of freehold for immediate resale	7	-	(1,900)
Net cash used in investing activities		**-**	**1,527**
Net decrease in cash and cash equivalents		**(1,808)**	**(10,514)**
Cash or cash equivalents at 1 April	**15**	1,998	12,512
Cash or cash equivalents at 31 March	17	190	1,998

Notes 1 to 23 are an integral part of these financial statements.

1. General information

Disabled People's Employment Corporation (GB) Limited (DPEC or "the Company") is a Company incorporated in England under the Companies Act 2006

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

Liability of members

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

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

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

2. Adoption of new and revised standards

Basis of accounting

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

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

Going concern

The Company made a loss before tax of £0.2 million in 2016/17 (2016: £13.1 million), and has net current assets of £1.2 million (2016: £1.3 million). The Company is reliant on funding from DWP and the Directors have received confirmation from DWP that on-going support in the form of Grant-in-Aid will be provided as required.

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

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

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

3. Significant accounting policies

Revenue recognition

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

Grant-in-Aid is obtained from the DWP as required by way of funding requests, and is accounted for in accordance with IAS 20 “accounting for Government Grants”. In the prior year £3.0m surplus Grant-in-Aid funding released due to the unwinding of business activity was returned to the DWP. During the current year £0.9m of Grant-in-Aid was received from the DWP, this was required due to a delay in the completion of the disposal of the asset held for sale.

Retirement benefit costs

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

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

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

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

Taxation

The tax expense represents the deferred tax recognised.

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

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

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

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

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

3. Significant accounting policies (continued)

Assets held for sale

Assets classified as held for sale are measured at fair value less costs to sell.

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

Financial instruments

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

Financial assets

Loan and receivables

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

Impairment of financial assets

Appropriate allowances for estimated irrecoverable amounts are recognised in the Income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets with the exceptions of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly-liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

3. Significant accounting policies (continued)

Financial liabilities

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

Trade payables

Trade payables are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost, using the effective interest rate method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. Provisions are made for legal costs in respect of expected costs and for estimated damages where it is judged probable that damages will be payable.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3, 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 historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an 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.

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Self-insurance

Up to 1 October 2016, when full insurance was taken out, the Company provided for pre April 2013 partial self-insurance arrangements in respect of employer's liability based on estimates received from independent claims administrators. In the prior year the Company also included an estimate of claims incurred but not recorded. This was based on the historical lead time in days between the accident and the claim being reported. The Company has been fully insured for this risk since 1 April 2013.

Defined benefit obligation

In the prior year the Company operated a defined benefit pension scheme. The retirement benefit obligation recorded estimate was based on actuarial assumptions, including discount rates, inflation and mortality rates. The assumptions were based on current market conditions, historical information and consultation with and input from actuaries. The Directors reviewed the assumptions annually. If they changed, or actual experience was different from the assumptions, the retirement benefit obligation was adjusted accordingly. On 1 April 2016, the pension scheme was transferred to the Department for Work and Pensions at the 31 March 2016 balance sheet liability value and there is no impact on the Company's accounts in the current year.

Valuation of assets held for sale

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

Key Sources of Estimation Uncertainty

The Directors do not consider there to be any key sources of estimation uncertainty other than those included within the critical judgement above, at the Statement of Financial Position date.

5. Financial agreement with the DWP

Grant-in-aid

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

1. Grant-in-Aid has been received (secured by fixed and floating charges on the Company's assets) to finance the purchase of fixed assets; and
2. Grant-in-Aid has been received in respect of:

5. Financial agreement with the DWP (continued)

(a) Forecast cash requirements from operations;

(b) Forecast changes in working capital; and

(c) Funding for the pension scheme deficit.

Reserves

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

Reserves	2017 £'000	2016 £'000
Balance at 1 April	(242,138)	(289,449)
Grant in Aid		
Funding received/(repaid)	900	(3,000)
Net results before Grant-in-Aid received/(repaid)	(1,053)	(10,129)
Income statement	(153)	(13,129)
Transfer from statement of other comprehensive income	-	60,440
Capital contribution from DWP (transfer of pension scheme)	243,475	-
Balance at 31 March	**1,184**	**(242,138)**

6. Business segments

Products and services from which reportable segments derive their revenue

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

Revenue	2017 £'000 External Sales	2016 £'000 External Sales
Employment Services	-	83
Central and support services	-	181
Income statement total revenue (excluding Grant-in-Aid)	-	264

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

Loss before tax	2017 £'000	2016 £'000
Revenue/(repayment) Grant-in-Aid	900	(3,000)
Employment Services	-	(620)
Central and support services	(1,053)	2,182
Pensions	-	(11,691)
	(153)	(13,129)

Total assets	2017 £'000	2016 £'000
Central and support services	1,267	3,153
	1,267	3,153

6. Business segments (continued)

Liabilities	**2017 £'000**	**2016 £'000**
Central and support services	(83)	(1,818)
Pensions	-	(243,475)
	(83)	(245,293)

Fair value increase of asset held for sale	**2017 £'000**	**2016 £'000**
Central and support services	(387)	-
	(387)	-

Impairment on Property, Plant and Equipment	**2017 £'000**	**2016 £'000**
Central and support services	-	874
	-	874

7. Operating loss

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

	2017 £'000	**2016 £'000**
Impairment of property, plant and equipment	-	874
Fair value increase of asset held for sale	(387)	-
Employment tribunal settlements dating from 2013	698	-
Gain on sale of investments	-	(2,000)
Loss on disposal of assets held for sale	-	606
Movement on provision for impairment of trade receivables	-	(20)
Release of provision for retentions on commercial contracts and legal costs	(173)	(2,749)

8. Auditor’s remuneration

	2017 £'000	2016 £'000
Audit services		
Fees payable to the Company's auditors for the audit of the Company’s annual accounts	42	65
Other audit services	-	18
Non-audit services		
Tax compliance	16	18
Tax advisory	-	8
	58	109

The movement in fees reflects a reduction in work as a result of the business winding down

9. Staff costs and Directors’ remuneration

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

Average Staff Numbers

	2017	2016
Employment Services	-	17
Corporate and support services	-	3
	-	20

The aggregate staff costs were as follows:

	2017 £'000	2016 £'000
Tribunal settlements from 2013	698	-
Salaries	8	(6)
Social Security Costs	(2)	3
	704	(3)

2016 salaries are net of a holiday pay provision release of £532k.

Directors’ remuneration

	2017 £'000	2016 £'000
Aggregate remuneration	8	12
Supplementation of pensions paid to former Directors in the year	-	119
	8	131

9. Staff costs and Directors' remuneration (continued)

The Company has four Directors. There are two are executive Directors who work for the DWP and receive no additional remuneration. There are also two non-executive Directors (the Chairman who only receives expenses and another non-executive who receives a small fee).

Contractors and off-payroll arrangements

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

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

No. of existing engagements as of 31 March 2017	2
No. that have existed for less than one year at time of reporting	0
No. that have existed for between one and two years at time of reporting	0
No. that have existed for between two and three years at time of reporting	0
No. that have existed for between three and four years at time of reporting	0
No. that have existed for four or more years at time of reporting	2

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

10. Finance income and costs

	2017 £'000	**2016 £'000**
Finance Income		
Bank income receivable on cash and cash equivalents	4	17
Finance Costs		
Interest costs on pension scheme liabilities	-	32,160
Interest income on pension scheme assets	-	(22,216)
Net pension scheme costs	-	9,944
Bank charges payable	4	5
Total Finance Costs	4	9,949

11. Taxation

	2017 £'000	2016 £'000
Current tax		
Current year charge	-	-
Deferred tax charge	-	-
Total tax charge	-	-
Total loss	(153)	(13,129)
Corporation tax credit calculated at 20% (2016: 20%)	(31)	(2,626)
Effect of expenses that are not deductible in determining taxable profit	70	524
Timing differences on which no deferred tax is recognised	(39)	2,327
Accelerated capital allowances on which no deferred tax is recognised	-	175
Brought forward losses utilised in period	-	(400)
Corporation tax (credit)/charge recognised in the Income statement	-	-
Deferred tax assets at 20% (2016: 20%)		
On pensions deficit	-	-

Unrecognised deferred tax assets	2017 £'000	2016 £'000
On pension deficit	-	43,826
Tax losses – capital	322	288
Other temporary differences	-	115
	322	44,229

12. Property, plant and equipment

	Note	Computer Software £'000's	Fixtures, Fittings and Fit-outs	Total £'000's
Cost				
As at 1 April 2015		2,324	6,612	8,936
Disposals		(2,324)	(6,612)	(8,936)
As at 31 March 2016		-	-	-
As at 31 March 2017		-	-	-
As at 1 April 2015		(1,793)	(6,269)	(8,062)
Impairment loss	7	(531)	(343)	(874)
Elimination on disposals		2,324	6,612	8,936
As at 31 March 2016		-	-	-
As at 31 March 2017		-	-	-
Net Book Value				
As at 31 March 2017		-	-	-
As at 31 March 2016		-	-	-

At 31 March 2017, the Company had not entered into any contractual commitments for the acquisition of property, plant and equipment. (2016: £Nil).

13. Trade and other receivables

	2017 £'000	2016 £'000
Other receivables	48	491
Prepayments	3	25
	51	516

Provision for Impairment of receivables	**2017 £'000**	**2016 £'000**
As at 1 April	-	(20)
Impairment losses recognised	-	20
As at 31 March	-	-

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

14. Assets classified as held for sale

The assets held for sale represents land and buildings which the Company expects to sell within the next 12 months. During the year the remaining asset was revalued using the information available at the statement of financial position date.

Assets held for sale	Net book value £'000's	(Impairment)/ Revaluation £'000's	Net Carrying Value £'000's
As at 1 April 2016	966	(327)	639
Fair value adjustment during year	-	387	387
As at 31 March 2017	966	60	1,026

15. Cash and cash equivalents

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

	2017 £'000	2016 £'000
Cash in hand and at bank	190	1,998

16. Trade and other payables

	2017 £'000	2016 £'000
Accrued expenses	83	303
Social security and other taxes	-	3
Other payables	-	1,337
	83	1,643

Included within other payables is £Nil (2016: £1.3m) for expected excess payments on insurance claims, full insurance was purchased in the year and the full accrual was released. Accrued expenses principally comprised amounts outstanding for trade purchases and ongoing costs. The Directors consider that the carrying amount of accrued expenses and other payables approximates to their fair value.

17. Financial instruments

(a) Financial risk management

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

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

17. Financial instruments (continued)

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

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

Capital risk management

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

The capital structure of the Company consists cash and cash equivalents presented in note 15 and reserves which are funded by the DWP presented in note 5.

(b) Categories of financial instruments

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

(c) Credit risk management

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

(d) Liquidity risk management

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

In order to maintain liquidity to ensure that sufficient funds are available for on-going operations and future developments, the Company reports forecast funding requirements monthly to the DWP.

The following table has been drawn up based on the contractual maturities of the financial assets including interest that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period and financial liabilities have been presented based on the earliest date on which the Company can settle the debt.

Financial Assets	Note	**2017 £'000**	**2016 £'000**
Trade and other receivables			
other receivables	13	51	516
Cash and cash equivalents	15	190	1,998
		241	2,514
Financial Liabilities			
Trade and other payables			
social security and other taxes	16	-	3
accrued expenses	16	83	303
other payables	16	-	1,337
		83	1,646

As at March 2017	Carrying amount £'000's	Due less than 1 year £'000's	Between 1-2 years £'000's
Financial assets			
Trade and other receivables			
other receivables	51	51	-
Cash and cash equivalents	190	190	-
	241	241	-
Financial liabilities			
Trade and other payables			
accrued expenses	83	83	-
	83	83	-

As at March 2016	Carrying amount £'000's	Due less than 1 year £'000's	Between 1-2 years £'000's
Financial assets			
Trade and other receivables			
other receivables	516	516	-
Cash and cash equivalents	1,998	1,998	-
	2,514	2,514	-
Financial liabilities			
Trade and other payables			
social security and other taxes	3	3	-
accrued expenses	303	303	-
other payables	1,340	1,337	-
	1,646	1,643	-

(e) Cash flow and interest rate risk management

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

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

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

(f) Fair value of financial instruments

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

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

18. Provisions

Prior year provisions relate to legal expenses for employment claims which are now resolved.

	Provisions £'000
As at 1 April 2016	173
Utilised	(173)
As at 31 March 2017	-

19. Retirement benefit schemes

The Company previously operated a defined benefit pension arrangement called the Remploy Limited Pension and Assurance Scheme (the Scheme). The Secretary of State took over as principal employer of the Scheme with effect from 1st April 2016, assuming all liabilities via a deed of substitution and therefore the Scheme is no longer reflected as part of the Company’s assets and liabilities.

The following information relates to the prior year comparatives when the Scheme was still supported by the Company.

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

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

Investment risk

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

Interest rate risk

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

Inflation risk

A significant proportion of the benefits under the Scheme are linked to inflation. Although the Scheme's assets are expected to provide a good hedge against inflation over the longterm, movements over the short-term could lead to deficits emerging.

Mortality risk

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

19. Retirement benefit schemes (continued)

Settlements/curtailments

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

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

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

Explanation of amounts in the financial statements

Amounts recognised in the Balance Sheet	**2017 £'000**	**2016 £'000**
Fair value of assets	-	654,392
Present value of funded obligations	-	(897,867)
Deficit*	-	(243,475)
Net defined benefit liability	-	(243,475)

* Deficit shown prior to deferred taxation

Reconciliation of net defined benefit liability (asset)	**2017 £'000**	**2016 £'000**
Net defined benefit liability at beginning of Period	243,475	292,399
Capital contribution from DWP (transfer of the pension scheme)*	(243,475)	-
Service cost (including administration costs)	-	1,730
Past Service Cost	-	34
Curtailment Cost (Saving)	-	(17)

Net interest expense	-	9,944
Remeasurements	-	(60,440)
Employer Contributions	-	(175)
Net defined benefit liability at end of period	-	243,475

Amounts recognised in the Profit & Loss account over the year	**2017 £'000**	**2016 £'000**
Service cost (including administration costs)	-	1,730
Interest on liabilities	-	32,160
Interest on assets	-	(22,216)
Past Service Cost	-	34
Curtailment Cost (Saving)	-	(17)
Net defined benefit liability at end of period	-	11,691

Remeasurements over the year	**2017 £'000**	**2016 £'000**
Losses/(gains) on Scheme assets in excess of Interest	-	11,994
Experience losses/(gains) on liabilities	-	(18,200)
Losses/(gains) from changes to financial Assumptions	-	(54,234)
Total remeasurements	-	(60,440)

Reconciliation of assets and Defined Benefit Obligation The change in the assets over the period was:	**2017 £'000**	**2016 £'000**
Fair value of assets at the beginning of the period (excluding AVCs and money purchase deferred members)	654,392	673,567
Capital contribution from DWP (transfer of the pension scheme)	(654,392)	-
Interest on assets	-	22,216
Company contributions	-	175
Contributions by Scheme participants	-	19
Benefits paid (including expenses)	-	(40,521)
Return on Scheme assets less interest	-	(11,994)
Fair value of assets at the end of the period (excluding AVCs and money purchase deferred members)	**-**	**643,462**
AVC investments	-	10,930
Fair value of assets at the end of the period (including AVCs and money purchase deferred members)	**-**	**654,392**

Notes to the financial statements
Year ended 31 March 2017

The change in the Defined Benefit Obligation over the period was:	2017 £'000	2016 £'000
Defined Benefit Obligation at the beginning of the period (excluding AVCs and money purchase deferred members)	897,867	965,966
Capital contribution from DWP (transfer of the pension scheme)	(897,867)	-
Current service cost (including administration costs)	-	1,730
Contributions by Scheme participants	-	19
Past service cost	-	34
Interest cost	-	32,160
Benefits paid (including expenses)	-	(40,521)
Changes due to curtailment	-	(17)
Experience (gain)/loss on defined benefit Obligation	-	(18,200)
Changes to financial assumptions	-	(54,234)
Defined Benefit Obligation at the end of the period (excluding AVCs and money purchase deferred members)	**-**	**886,937**
AVC investments	-	10,930
Defined Benefit Obligation at the end of the period (including AVCs and money purchase deferred members)	**-**	**897,867**

The major categories of assets as a percentage of total assets were as follows:	31 March 2017	31 March 2016
UK Equities	N/A	1.3%
Overseas Equities	N/A	19.9%
Bonds (absolute return bonds)	N/A	13.3%
Property	N/A	7.2%
LDI	N/A	32.1%
Hedge Funds	N/A	12.6%
Direct lending	N/A	9.4%
Cash	N/A	0.5%
Insurance policies	N/A	2.0%
AVC investments	N/A	1.7%
Total	N/A	100%

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

Actuarial assumptions	**31 March 2017**	**31 March 2016**
Discount rate	N/A	3.70% pa
Inflation assumption (RPI)	N/A	3.10% pa
Inflation assumption (CPI)	N/A	2.30% pa
Discretionary pension increases	N/A	
Pre 1 April 1997 (excess over GMP)		2.30% pa

Based on CPI

Pension increases	N/A	
1 April 1997 – 1 April 2005		
LPI based on CPI		2.30% pa
Pension increases	N/A	
1 April 2005 onward		
LPI based on RPI		3.00% pa
Revaluation in deferment	N/A	2.30% pa
Salary Increases	N/A	2.30% pa

Post retirement mortality assumption	**2017: N/A. 2016:** Company -specific table based on the Company experience between 2007 and 2012 with allowance for improvements in life expectancy in line with the CMI_2013 projections subject to a long-term rate of improvement of 1.5%pa
Early retirement	**2017: N/A. 2016:** All members are assumed to retire at 63
Tax free cash	**2017: N/A. 2016:** No allowance has been made for members to take tax free cash
Net current assets	**2017: N/A. 2016:** No allowance

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

Life expectancy at age 65	**31 March 2016**	**31 March 2016**
Male currently aged 45	N/A	22.6
Female currently aged 45	N/A	25.5
Male currently aged 65	N/A	19.7
Female currently aged 65	N/A	22.6

Sensitivity of the value placed on the liabilities

Adjustments to assumptions	**31 March 2017 Approximate effect on liabilities £'000**	**31 March 2016 Approximate effect on liabilities £'000**
Discount rate		
Plus 0.50% pa	N/A	(79,798)
Minus 0.50% pa	N/A	91,933
Inflation		
Plus 0.50% pa	N/A	82,971
Minus 0.50% pa	N/A	(72,414)
Mortality		
Decrease mortality rates by a factor of 10%	N/A	28,909
Increase mortality rates by a factor of 10%	N/A	(25,675)

19. Retirement benefit schemes (continued)

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

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

Risk mitigation strategies

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

Effect of the Scheme on Company's future cash flows

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

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

20. Related parties

Other than the transfer of liability for the pension scheme as explained in note 19, there were no transactions with related parties during the current or prior year.

21. Contingent liabilities

The Company's Enterprise Business activity ceased in December 2014 and the Employment Services Business was sold on 7th April 2015. In the normal course of business, the Company received claims from Customers and Employees. In 2013 claims from employees were received, to be determined by an Employment Tribunal. A number of claims were made, but in the prior year the Company was unable to assess the potential value of these claims, or the likelihood of success in defending them. A provision was made at the prior year statement of financial position date for the all legal costs of defending those employment tribunal claims. These employment tribunal claims were resolved in the current year.

22. Post Statement of financial position events

There were no post statement of financial position events.

23. Gain on sale of investments

This note relates to the prior year.

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

Just before the Transaction completed, certain trade assets and liabilities comprising Employment Services were hived down from DPEC to Remploy (2015) Limited (“Remploy 2015”), a wholly owned subsidiary. On 7 April 2015, Remploy 2015 was sold to MAXIMUS Companies Limited (“MAXIMUS”), a wholly owned subsidiary of MAXIMUS Inc.

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

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

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