



Offender Learning Services Limited
Annual Report and Financial Statements For
the year ended 31 July 2018

Registered number: 7471279

**Offender Learning Services Limited
Annual Report and Financial Statements
For the Year Ended 31 July 2018**

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Offender Learning Services Limited Strategic report for the Year Ended 31 July 2018

The Directors present their Annual report and the audited financial statements of the Company for the Year Ended 31 July 2018. This includes the strategic report and the directors' report.

Business review

The Company's principal activity is the provision of education, training and related services.

Offender Learning Services Limited is a top performing provider of OLASS 4 and part of the Weston College Group, an outstanding College led by Dr Paul Phillips CBE. It is recognised for its innovative approach to business planning, total learner focus, excellent teaching and learning, consistently high success rates particularly for Functional Skills, prioritisation of full Level 2 qualifications to improve employability, robust quality assurance, staff development and performance management. The positive working relationship with the Ministry of Justice (MoJ) and Her Majesty's Prison and Probation Service (HMPPS) has maximised the potential of the revised funding methodology to extend the learning provision and meet funding targets.

Highlights include:

- Working in partnership with Governors to prioritise and promote a whole prison approach to education
- 87.5% Lesson Observation grades at good or better – an improvement of 1.5% from previous year
- 78% Good or better HMIP / Ofsted inspection grades overall against the national average of 70% with three inspections this year at HMP Dartmoor, HMP Erlestoke and HMP Exeter with the OLASS provision is all three receiving Good grades from Ofsted
- "Creating Brighter Futures" won the 2017 national Association of Colleges Beacon Gateway Award for Widening Participation
- Delivery of the new accredited induction qualification for staff working in custodial environments with units for managers, teaching staff and administrators
- Accreditation of the bespoke qualification for staff supporting learners in custodial settings
- Advanced Practitioners having a positive impact supporting teaching staff in the prisons
- Usage of the "Do It Profiler" to support learners' progress by enabling assessment of learning needs and recommending individual support to improve own learning and performance
- End of year success rate of 99% for all vocational courses.
- End of year success rate of 81% for Functional Skills English and Maths.
- Successful embedding of English, Maths, employability and Personal and Social Development in all subjects
- Level 3 Sage Diploma delivered at Dartmoor
- The successful transition of IRC The Verne to former prison status
- Learning opportunities widened as a result of the changes to funding methodology
- Supporting learners to progress to open and distance learning including Open University courses
- Celebration of Success events for learners in all prisons including family attendance to support and strengthen relationships
- Ex-offenders securing employment on release in many sectors including hospitality and catering, cleaning, construction, manufacturing, warehousing and distribution, recycling and barbering
- Establishment of "Leyhill Grounds" the coffee shop as a joint enterprise between Weston College "Releasing New Potential" Community Interest Company (CIC) and HMP Leyhill providing valuable work experience for catering learners prior to release
- HMP Guys Marsh was the highest place prison nationally and the only prison achieving a Double Gold Award in the Reading Agency's annual Reading Ahead challenge, with HMP Eastwood Park and HMP Erlestoke both achieving Gold Awards
- The two week Penned Up Literary Festival held once a year in one prison nationally was successfully held in HMP Erlestoke for the second year running
- HMP Guys Marsh winning the national 3/5 Maths Challenge at their first attempt
- Successfully running the library contracts at HMP Guys Marsh and HMP Portland, developing and extending learning resource centre services.
- An art exhibition on the theme of "Loss" was held at HMP Guys Marsh with creative writing and art exhibits

Offender Learning Services Limited
Strategic report for the Year Ended 31 July 2018

- Bath Spa University successfully delivered a series of Higher Education classes for their degree undergraduates and HMP Erlestoke learners which received excellent feedback from all attendees and extend our collaboration
- There were 102 award winners from eight of the SW prisons in the national creative arts Koestler Awards competition – including one Platinum Award, two Gold Awards, six Silver Awards and sixteen Bronze Awards.
- Successful OLASS conference “Impact for Excellence” held in the newly refurbished Winter Gardens
- Funded project to deliver the Award in Teaching to Band 3 prison instructors in three SW venues with 100% success rates, complemented in HMIP reports
- Funded project to pilot the delivery of the Award in Teaching to long-term prisoners as recommended by the Coates report with 100% success rate
- Funded project “Building Better Opportunities” with West of England Works to support those with a criminal record who are unemployed or economically inactive to enable them to progress into job searching, education, employment and training with the aim of reducing reoffending and promoting a functional, happy and fulfilling life continued to meet targets
- HMP Portland awarded a “There but not there” Tommie silhouette for the 2018 Armistice centenary commemoration of the end of the 1914-1918 war for Remembered, to be incorporated into a remembrance garden
- Artwork produced in prisons displayed at the CAD Art Exhibition at Weston College
- Contract with Offploy CIC resulting in increased employer engagement and more offenders supported into employment on release
- Successful partnerships with MoJ compulsory Awarding Organisations City & Guilds, Gateway, OCR and Wamitab
- The only OLASS provider to be working directly with the DfE and MoJ to support the future inclusion and delivery of T Skills within the prison estate
- Presentation of the funded Health Services in Prison project
- Working with BiTC Weston College has become the first FE College to adopt Ban the Box for recruitment
- Organised the Mind The Gap event to promote the benefits of employing ex-offenders in the construction industry
- Arranged a range of catering industry events including Master Chef competitions in several prisons and a work experience day for ex-offenders at Yo Sushi
- Stephen from HMP Portland was one of three winners in the Peer Mentor Award Category at the national Prisoner Learning Alliance conference. Stephen works with men in catering and helps support people with substance misuse issues, through one-to-one and group sessions, including supporting one learner to achieve his first ever certificate at the age of 48. The words of one nominator summed up Stephen’s inspiring work: “I look up to him as a good role model and like a father figure.”
- Various employment plus accommodation opportunities now providing work and home to ex-offenders released in the South West
- Delivery of mental health awareness to staff and peer mentors to enhance understanding of and support for learners
- Mindfulness project in HMP Dartmoor working with the most disengaged prisoners successfully supported all to develop self-awareness and coping mechanisms, improve communication and behaviour and engage with purposeful activities both work and education

Results for the year show an operating profit before tax and Gift Aid donations of £975k (2016/17 £1,179k) and total comprehensive income in the year of £1,669k (2016/17 £905k). The Company made a Gift Aid donation to Weston College of £2,482k (2016/17 £1,151k). The Company’s key financial and other performance indicators during the year were as follows:

	2018	2017	Change
Turnover	£10.17m	£10.46m	£(0.29m)
Profit after tax	£1.25m	£1.14m	£(0.17m)
Ratio of current assets to current liabilities	5.00	2.13	2.55
Average number of employees – Teaching	129	126	3
Average number of employees – Non teaching	27	21	6

Future Developments

After almost 6 years the OLASS 4 offender learning contract concludes at the end of March 2019 and for the entire team it is business as usual in delivering a high quality service in the 10 south west prisons. Currently Weston College is re-tendering for the new Prison Education Framework (PEF) contracts for 5 Lots. As of 26th November 2018, the college had been notified that it had been successful in being awarded Lot4 – Devon and North Dorset, and Lot 8 Kent, Surrey and Sussex. The results of the remaining lots are expected to be received later in December or early January for transition towards contract delivery from April 2019. TUPE of existing staff will apply if LOT contractors change

The continuity and excellence of our teaching staff combined with positive relationships with the individual prison governors and managers and outstanding outcomes for learners position us well for the future.

The annual Weston College OLASS conference occurs in September 2018 and during this period of uncertainty we are concentrating on future vision, continuous improvement and maintaining the positive morale and focus of our staff.

Principle risk and uncertainties

Offender Learning Services Limited is a wholly owned subsidiary of Weston College and its activities are included within the Group Risk Management procedures. The Directors have confirmed that it is appropriate for the risks to be managed by each company and reported at a group level. The Risk Management Register identifies the key risks of the Company, the likelihood of those risks occurring, their potential impact on the Company and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system. The Directors also consider any risks which may arise as a result of a new area of work being undertaken by the Company.

The principal risks and the methods of mitigation are:-

Failure to deliver high quality OLASS provision (reputational)

The Company expects its staff to deliver high quality prison education to its learners and account for this to stakeholders. Failure to do so impact on the Company's reputation. This is mitigated by carrying out Mock Inspections supplemented by external OFSTED inspections to reveal shortcomings and by rigorous self-assessment. All nine South West prisons underwent HMIP / OFSTED inspections during the year with a result of 78% good or better grades comparing positively against a national average for offender learning of 70% good or better grades.

Failure to maintain continuity of educational provision (operational)

Failure to maintain continuity of educational provision where staff absences and vacancies are not covered promptly producing a fragmented and unsatisfactory learning experience. This is mitigated by:

- Careful calendar and holiday planning together with a clear leave policy.
- Changing the mix of staff to include more generalist / functional skills teachers;
- Renewed emphasis on filling vacancies speedily
- Utilising the services of specific recruitment agencies to widen the recruitment potential.

Failure to retain the OLASS prison education contract when next tendered (financial)

The Company is well aware of the risks associated with the higher level of public scrutiny and the need to maintain a "business as usual" focus on existing activities despite the need to prepare for the forthcoming OLASS prison education re-tender. Failure to win the prison education contract would place the Company under severe financial difficulty. Weston College has ensured full delivery of the funded OLASS contract for 2017/18 negating in-year cancellation costs caused by adverse prison regime issues.

This robust and cost effective provision planning, monitoring and delivery has ensured value for money for taxpayers, efficient service for the prison establishments and quality outcomes for learners. Weston College has forged excellent honest and transparent relationships with the MoJ and HMPPS and this together with our consistently impressive performance has ensured we maintain an excellent reputation going forward.

The risks associated with this will be mitigated in a number of ways:

Early engagement with the relevant national and regional stakeholders to understand the selection criteria

Maintaining regular high-level dialogue with prison governors and other stakeholders to ensure the contract is implemented seamlessly and delivered fully

Continued sound delivery practices for the existing OLASS4 contract to underpin the Company's good reputation through outstanding quality

Robust business planning on an institution – by – institution basis to align the needs of learners to the emerging government policy

Underpinning the contract with a management structure with high calibre staff and which provides rigorous accountability mechanisms

Funding methodology (financial)

Funding methodology is changing to increase emphasis on functional skills in numeracy and literacy. There is a risk learners will not engage with this agenda and therefore fail to enrol or attend in the required numbers to make the contract viable. The risks associated with this will be mitigated in a number of ways:

Increased focus on cost control to balance any income reductions with appropriate cost savings

Robust modelling of the potential impacts of proposed funding changes and adapting the Company's provision accordingly

By ensuring the Company is rigorous in delivering high quality education and training that is attractive to learners

Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies and partners

Regular dialogue with the relevant funding bodies and political lobbying

Maintain adequate funding of pension liabilities (financial)

The financial statements report the share of the pension scheme deficit on the Company's statement of financial position in line with the requirements of FRS 102. The underlying increased employer contribution levels required to meet this deficit are known for the next three years and are containable within existing long term projected budgets.

The following statement summarises the Company's policy in managing identified forms of financial risk:

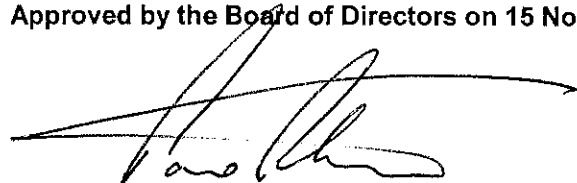
Credit risk: The Company's principal financial assets are cash and investments. These assets are held with banks with high credit ratings assigned by international credit rating agencies, ensuring that credit risk is limited.

Liquidity and cash flow risk: The Company actively manages its cash resource in order to fulfil any working capital requirements. Management monitors rolling forecasts of the Company's liquidity reserves on the basis of expected cash flow.

Interest rate risk: In the absence of outstanding loans the Company is not exposed to interest rate risks relating to borrowings.

Other risks: The Company is exposed to price risks, but these are set with group companies and therefore are considered to be negligible. Other risks include fraud, bribery and theft, which are mitigated by the Company's financial regulations, financial policies/controls and internal audit programmes.

Approved by the Board of Directors on 15 November 2018 and signed on its behalf by:



Dr Paul Phillips CBE
Director



Jude Ferguson
Chair

Offender Learning Services Limited
Directors' report for the Year Ended 31 July 2018

Shareholding and Directors

The Company is a wholly owned subsidiary undertaking of Weston College.

The Directors who served throughout the year and up to the date of the signing of the financial statements were:-

Judith Louise Ferguson (Chair)
Andrea May Greer (resigned 2 November 2017)
Linda Mary Burlison (appointed 2 November 2017, resigned 19 September 2018)
Christopher John Carter (appointed 2 November 2017)
Dr Paul Phillips CBE
Dr George Reah (resigned 2 November 2017)
Peter Keith Sloman (appointed 2 November 2017)

Political and charitable contributions

The Company made no political or charitable contributions during the year other than a commitment to pay £2,482k (2016/17 £1,151k) to Weston College under Gift Aid. In accordance with ICAEW guidance, this donation has been accounted for as a distribution from reserves.

Disability statement

Offender Learning Services Limited seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Needs and Disability Act 2001 and the Disability Discrimination Act 2005.

The company is committed to ensuring equality of opportunity for all who learn and work at the company. It respects and values differences in race, gender, sexual orientation, able-bodiedness, class and age and strives vigorously to remove conditions which place people at a disadvantage.

The company considers all applications from people with disabilities, bearing in mind the aptitudes of the individuals concerned. Where an existing employee experiences a disability, every effort is made to ensure that employment with the company continues. The company's policy is to provide training, career development and opportunities for promotion which are, as far as possible, identical to those for other employees.

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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.

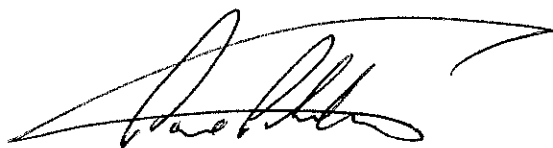
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies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

Directors' confirmations

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

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

Approved by the Board of Directors on 12 December 2018 and signed on its behalf by:



Dr Paul Phillips CBE
Director



Jude Ferguson
Chair

Independent auditors' report to the members of Offender Learning Services Limited

Report on the audit of the financial statements

Opinion

In our opinion, Offender Learning Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Basis for opinion

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

Independence

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Craig Sullivan (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol

20 December 2018

Offender Learning Services Limited
Statement of Comprehensive Income for the Year Ended 31 July 2018

	Note	2018 £	2017 £
Turnover		10,172,364	10,456,198
Cost of Sales		(7,770,032)	(7,614,829)
Gross Profit		2,402,332	2,841,369
Administrative expenses		(1,393,378)	(1,641,009)
Operating profit	4	1,008,954	1,200,360
Interest receivable and similar income		-	2,514
Interest payable and similar expenses		(34,000)	(24,000)
Profit on ordinary activities before taxation		974,954	1,178,874
Tax on profit	6	271,329	(41,079)
Profit for the Financial Year		1,246,283	1,137,795
Actuarial gain/(loss) in respect of pension scheme	10	423,000	(233,000)
Total Comprehensive Income for the Year		1,669,283	904,795

The Company will continue all of its operations and there were no acquisitions or discontinued operations in the year.

There is no material difference between the profit before taxation and the profit for the financial year as stated above and their historical cost equivalents.

The company has committed to pay any profit, net of inter-group management charges, to Weston College under Gift Aid. In accordance with ICAEW guidance, this donation has been accounted for as a distribution from reserves.

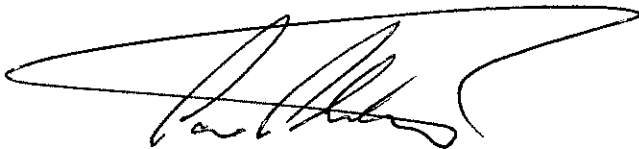
Offender Learning Services Limited
Statement of Changes in Equity for the Year Ended 31 July 2018

	Profit and Loss Account	Pension Reserve	Called Up Share Capital	Total Equity
	£	£	£	£
Balances at 1 August 2016	968,000	(968,000)	1	1
Total comprehensive Income for the year	1,291,795	(387,000)	-	904,795
Distribution to Weston College	(1,151,250)	-	-	(1,151,250)
Balances at 31 July 2017	1,108,545	(1,355,000)	1	(246,454)
Total comprehensive Income for the year	1,420,283	249,000	-	1,669,283
Distribution to Weston College	(2,481,827)	-	-	(2,481,827)
Issue of Share Capital	-	-	1,500,000	1,500,000
Reduction in Share Capital	1,498,501	-	(1,498,501)	-
Balances at 31 July 2018	1,545,502	(1,106,000)	1,500	441,002

Offender Learning Services Limited
Statement of Financial Position as at 31 July 2018

	Note	2018 £	2017 £
Current assets			
Debtors	7	1,240,997	421,772
Cash at bank and in hand	8	700,851	1,666,552
		1,941,848	2,088,324
Creditors - amounts falling due within one year	9	(394,846)	(979,778)
Net assets excluding pension liability		1,547,002	1,108,546
Pension liability	10	(1,106,000)	(1,355,000)
Net assets (liabilities)		441,002	(246,454)
Capital and reserves			
Called up share capital	11	1,500	1
Profit and loss account		1,545,502	1,108,545
Pension Reserve		(1,106,000)	(1,355,000)
Total shareholders' funds / (deficit)		441,002	(246,454)

These financial statements of Offender Learning Services Limited, registered number 7471279, on pages 10 to 22 were approved by the Board of Directors and authorised for issue on 12 December 2018 and were signed on its behalf by:



Dr Paul Phillips CBE
Director



Jude Ferguson
Chair

Offender Learning Services Limited
Notes to financial statements for the Year Ended 31 July 2018

1 Company Information

Offender Learning Services Limited is a private company limited by shares and incorporated in England and Wales.

The Registered Office is situated at:

Weston College,
Knightstone Rd.,
Weston Super Mare,
BS23 2AL

The ultimate parent company and controlling party is Weston College, a Further and Higher Education college, incorporated under the Further and Higher Education Act 1992.

2 Basis of preparation

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

In preparing these financial statements Offender Learning Services Limited has, with the approval of the shareholder (Weston College) taken full advantage of the disclosure exemptions available under para 1.12 of FRS102. The company has therefore adopted the following exemptions:

- the requirement to present a statement of cash flows and related notes
- financial instrument disclosures – including
 - o categories of financial instruments
 - o items of income, expenses, gains or losses related to financial instruments
 - o exposure to and management of financial risks
- the requirement to disclose key management personnel remuneration

The financial statements of Offender Learning Services Limited are consolidated into the financial statements of the Weston College Group and its parent company Weston College. The Financial Statements of Weston College are available on application to the Clerk to the Corporation, Weston College, Knightstone Road, Weston-super-Mare, North Somerset, BS23 2AL. Weston College is the only entity to consolidate the Company's financial statements.

The following accounting policies have been applied consistently throughout the year.

Going Concern

The entire business of OLS is the provision of OLASS4. The complete provision of OLASS prison education is being re-tendered during 2018 and the new contract will take effect from April 2019. It is likely that the next tender for core framework services will cover a period of 4 + 2 years. Whilst there currently remains a degree of uncertainty on the full outcome of the tender process, the award of the two contracts for Devon and North Dorset, and Kent, Surrey and Sussex, means that turnover will remain at least at current levels for the foreseeable future, with the opportunity to increase significantly possible depending upon the tender results for other lots which are due to be announced in the coming weeks.

In considering going concern, the Directors had previously given due regard to what they believed to be a worst case scenario, given that the contract was secure until at least April 2019 and that the Company has significant liquid assets, it is anticipated that the Company will have adequate resources to continue in operation for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Offender Learning Services Limited
Notes to financial statements for the Year Ended 31 July 2018

Given the result of the re-tender exercise is pivotal to the long term viability of the company, following the announcement of the early tender results, there is no longer the existence of a material uncertainty which would have cast significant doubt about the company's ability to continue as a going concern. The financial statements therefore do not include the adjustments that would have resulted if the company was unable to continue as a going concern.

3 Accounting Policies

Recognition of Income

Income from contracts and other services is included to the extent of the completion of the contract or service concerned.

Pension Schemes

Retirement benefits to employees of the company are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme.

Under the definitions set out in Financial Reporting Standard 102 section 28 (Retirement Benefits), the TPS is a multi-employer pension scheme. The Company is unable to identify its share of the underlying (notional) assets and liabilities of the scheme. Accordingly, the Company has taken advantage of the exemption in FRS 102 paragraph 28.11 and has accounted for its contributions to the scheme as if it were a defined contribution scheme.

Contributions to the TPS are charged to the Statement of Comprehensive Income so as to spread the cost of pensions over employees' working lives with the company in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of triennial valuations using a prospective benefit method.

The assets of the LGPS are measured using closing bid price values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present values of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus.

The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passing of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of comprehensive income.

Liquid Resources

Liquid resources include sums on short-term deposits with recognised banks and building societies

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

The company is partially exempt in respect of Value Added Tax, so it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Gift Aid donations

The company has committed to pay profits, net of inter-group management charges, to Weston College under Gift Aid. In accordance with ICAEW guidance, this donation has been accounted for as a distribution from reserves.

Offender Learning Services Limited
Notes to financial statements for the Year Ended 31 July 2018

Cash flow statement

In accordance with FRS102 the Company has not included a cash flow statement as part of these financial statements because the Company is a wholly owned subsidiary undertaking of a UK parent and the cash flows of this company are included within the cash flows of that company. The financial statements of that company are available from the address given above.

Debtors

Debtors are measured at transaction price and included in the Statement of Financial Position to the extent that they are deemed to be recoverable. Any doubtful debts are provided at 100% and the statement of financial position valuation of total debtors written down by such provisions. At the reporting date, no doubtful debts were provided against.

Amounts receivable after one year will be disclosed in an appropriate note unless the amount of such debtors is so material in the context of the total net assets that it is judged that there is a danger of misinterpretation – in which case they shall be separately identified on the face of the Statement of Financial Position.

Creditors

Creditors are measured at transaction price and classified as falling due within one year, unless the Company has an unconditional right, at the end of the reporting period to defer settlement for at least 12 months after the reporting date.

Judgements and key sources of estimation and uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements;

Pension and other post-employment benefits

The cost of defined benefit pension plans and other post-employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management is guided by its actuaries. The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates.

4 Operating profit

Operating profit is stated after charging	2018	2017
	£	£
Auditors' remuneration (excluding VAT) – statutory audit	12,400	9,000
Auditors' remuneration (excluding VAT) – other services provided	1,725	1,675

The Directors did not receive any emoluments in respect of their services to the Company (2017:Nil). Offender Learning Services Limited paid Weston College £143,033 (2016/17 £158,251) for the services provided by the Directors.

5 Staff costs

The monthly average number of persons (including senior post-holders) either employed by the Company, or by the Group specifically to carry out work for the Company, during the year, expressed as full-time equivalents, was:

Offender Learning Services Limited
Notes to financial statements for the Year Ended 31 July 2018

5 Staff costs continued

For the year ended 31 July	2018	2017
	Number	Number
Teaching Staff	129	126
Non-Teaching Staff	27	21
Total staff	156	147

Staff costs for the above persons

	2018	2017
	£	£
Wages and salaries	4,779,911	4,449,786
Social security costs	489,469	469,523
Other pension costs	920,603	728,287
Payroll sub-total	6,189,983	5,647,596
Contracted-out staffing costs	495,852	356,552
	6,685,835	6,004,148

6 Tax on profit

Profit and Loss Account Current year:	2018	2017
	£	£
UK Corporation tax on profits	-	271,329
Adjustments in respect of prior years	(271,329)	(230,250)
Tax on (loss) / profit on ordinary activities	(271,329)	41,079

The charge for the year can be reconciled to the profit per the statement of comprehensive income as follows:

(Loss) / Profit before taxation	974,954	1,178,874
Tax on (loss) / profit before taxation at XXX% (19.67%)	185,241	231,834
Effects of:-		
Group relief / other reliefs		-
Deferred tax on pension adjustment – not recognised	33,060	265,897
Adjustments from previous years	(271,329)	(230,250)
Qualifying charitable donation	(218,301)	(226,402)
Total year tax charge	(271,329)	41,079
Statement of financial position Corporation tax payable	-	271,329

Offender Learning Services Limited
Notes to financial statements for the Year Ended 31 July 2018

7 Debtors

	2018	2017
	£	£
Trade debtors	95,538	13,195
Amounts owed by group undertakings	1,132,315	394,624
Other debtors	99	908
Prepayments and accrued income	13,045	13,045
	1,240,997	421,772

8 Cash at Bank and in hand

	2018	2017
	£	£
Short Term Investments (maturing within 3 months)	251,274	251,274
Bank Balances	449,577	1,415,278
	700,851	1,666,552

9 Creditors - amounts falling due within one year

	2018	2017
	£	£
Trade creditors	1,590	10,803
Amounts owed to group undertakings	7,378	50,862
Corporation tax	-	271,329
Other taxation and social security	134,856	156,959
Accruals and deferred income	251,022	489,825
	394,846	979,778

10 Pension and similar obligations

The Company's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff. Both are defined-benefit schemes.

Total pension cost for the year	2017/18	2016/17
	£000	£000
Teachers' Pension Scheme:		
Contributions paid	595	473
Local Government Pension Scheme:		
Contributions paid	152	141
Actuarial charge	174	114
Charge to Statement of Comprehensive Income (staff costs)	326	255
Total pension cost for the year	921	728

The total pension cost to the Company in 2017/18 was £921k (2016/17 £728k). The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuations of the schemes were as at 31 March 2012 for the TPS and 31 March 2016 for the LGPS. There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

10 Pension and similar obligations continued

Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation and the subsequent consultation are:

- employer contribution rates were set at 16.48% of pensionable pay (including a 0.08% levy for administration);
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

The new employer contribution rate for the TPS was implemented in September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>

10 Pension and similar obligations continued

Scheme Changes

Following the Hutton report in March 2011 and the subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme commenced on 1 April 2015.

Disclosure

Under the definitions set out in Financial Reporting Standard 102 section 28 (Retirement Benefits), the TPS is a multi-employer pension scheme. The Company is unable to identify its share of the underlying (notional) assets and liabilities of the scheme.

Accordingly, the Company has taken advantage of the exemption in FRS 102 paragraph 28.11 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The company has set out above the information available on the scheme and the implications for the Company in terms of the anticipated contribution rates.

The pension costs paid to TPS in the year amounted to £595k (2017: £530k).

Local Government Pension Scheme (LGPS)

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by Bath and North East Somerset Local Authority. The total contribution made for the year ended 31 July 2018 was £214k (2017 £201k), of which employer's contributions totalled £152k (2017 £141k) and employees' contributions totalled £62k (2017 £60k). The agreed contribution rates for future years are 13.1% for employers and range from 5.5% to 12.5% for employees, depending on salary.

The staff of Offender Learning Services Limited are employed by Weston College which is legally responsible for the pension liabilities to employees, but their costs are being borne by Offender Learning Services Limited, and hence the liability and associated expenses are recorded in the financial statements of Offender Learning Services Limited.

Offender Learning Services Limited
Notes to financial statements for the Year Ended 31 July 2018

10 Pension and similar obligations continued

Disclosures required by FRS 102

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2018 by a qualified independent actuary

	At 31 July 2018	At 31 July 2017
Rate of increase in salaries	3.6%	3.7%
Rate of increase for pensions in payment / inflation	2.2%	2.2%
Discount rate for scheme liabilities	2.9%	2.6%
Inflation assumption (CPI)	2.1%	2.2%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 July 2018	At 31 July 2017
Retiring today		
Males	23.6	23.5
Females	26.1	26.0
Retiring in 20 years		
Males	26.2	26.0
Females	28.8	28.7

The amount included in the statement of financial position in respect of the defined benefit pension plan and Enhanced pension benefits is as follows:

	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
Company's estimated asset share	2,960	2,652
Present value of scheme liabilities	(4,066)	(4,007)
(Deficit) in the scheme	(1,106)	(1,355)

Amounts recognised in the Statement of Comprehensive Income in respect of the plan are as follows:

Amounts included in staff costs:

	2018 £000	2017 £000
For the year ended 31 July		
Current service cost	288	266
Administration expenses	4	5
Total	292	271

Offender Learning Services Limited
Notes to financial statements for the Year Ended 31 July 2018

10 Pension and similar obligations continued

Amounts included in interest payable and similar expenses:

For the year ended 31 July	2018	2017
	£000	£000
Net interest cost	34	24
Total	<u>34</u>	<u>24</u>

Amounts recognised in Other Comprehensive Income

For the year ended 31 July	2018	2017
	£000	£000
Return on pension plan assets	119	254
Actuarial gain / (loss) on scheme liabilities	304	(487)
Amounts recognised in Other Comprehensive Income	<u>423</u>	<u>(233)</u>

The best estimate of contributions to be paid to the scheme during the accounting year beginning after the statement of financial position date is £142k (2017 £145k).

Movement in deficits during year:

For the year ended 31 July	2018	2017
	£000	£000
Deficit at beginning of year	(1,355)	(968)
Current service cost	(288)	(266)
Administration expenses	(4)	(5)
Employer Contributions	152	141
Net Interest on pension liabilities	(34)	(24)
Actuarial gain / (loss)	423	(233)
Scheme deficit at year end	<u>(1,106)</u>	<u>(1,355)</u>

Asset and Liability Reconciliation:

Changes in the present value of defined benefit obligations	Year ended 31 July 2018	Year ended 31 July 2017
	£000	£000
Defined benefit obligations at start of year	4,007	3,122
Current service cost	288	266
Interest cost	105	82
Contributions by Scheme participants	62	60
Changes in financial assumptions	(304)	487
Benefits/transfers paid	(92)	(10)
Liabilities at end of year	<u>4,066</u>	<u>4,007</u>

Offender Learning Services Limited
Notes to financial statements for the Year Ended 31 July 2018

10 Pension and similar obligations continued

	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
Changes in fair value of plan assets		
Fair value of plan assets at start of year	2,652	2,154
Interest on plan assets	71	58
Return on plan assets	119	254
Administration expenses	(4)	(5)
Employer contributions	152	141
Contributions by Scheme participants	62	60
Benefits/transfers paid	(92)	(10)
Assets at end of year	2,960	2,652
Scheme deficit	(1,106)	(1,355)

The actual return on the plan assets in year was £189k (2017 £202k).

Early Retirement

The Company is responsible for all pension payments, together with related increases, in respect of added years it has awarded to staff that have left the pension schemes since April 1993 through early retirement. During the year of the financial statements these payments amounted to £Nil (2017 £Nil).

11 Called up share capital

	2018 £	2017 £
Allotted, and fully paid		
1 Ordinary share of £1 each	-	1
1,500,001 Ordinary shares of £0.001 each	1,500	-
	1,500	1

12 Related Party Transactions

In accordance with exemptions available under paragraph 33.1A of FRS 102 the Company has not disclosed any details of Related Party Transactions with other group undertakings as part of these financial statements. The Company is a wholly owned subsidiary undertaking of a UK parent (Weston College, the ultimate parent undertaking) and the Related Party Transactions of this Company are disclosed in the consolidated financial statements of the parent company. There were no other related party transactions requiring disclosure during the financial year.