

**Registered No. NI 005192**

**Ulster Supported Employment Limited  
Annual Report and Accounts  
for the year ended 31 March 2019**

**Annual Report and Accounts for the year ended 31 March 2019**

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**Directors and advisers**

**Directors**

Jim Perry (Chairman)

Gavin Adams

Aidan Bennett (Audit and Risk Assurance Committee Chair)

Carol Magill

Trevor Hinds

Donald Mackay

Raymond Donnelly

Dermot O'Hara

Resigned 30 April 2019

Resigned 30 April 2019

Appointed 1 May 2019

Appointed 1 May 2019

**Chief Executive and Accounting Officer**

B Atkinson

**Company Secretary**

SJ Mowbray

**Registered office**

182-188 Cambrai Street

Belfast

BT13 3JH

**Bankers**

Danske Bank Limited

235 Shankill Road

Belfast

BT13 1FE

**Solicitors**

Johns Elliot & Co

40 Linenhall Street

Belfast

BT2 8BA

**Statutory auditor**

Comptroller & Auditor General

Northern Ireland Audit Office

106 University Street

Belfast

BT7 1EU

## Foreword by Board's Chairman

The last year has seen a significant development in the Ulster Supported Employment Limited ("Usel") business offering. The Board has remained focused on the company's key aim to help those with a disability or health related condition gain employment. To this end considerable work has been undertaken in terms of our five key strategic areas:

- ***Social entrepreneurship***
- ***Business planning for a growth agenda***
- ***Developing as a learning organisation***
- ***Stakeholder engagement***
- ***Good governance***

The Chief Executive's Performance Report sets out the key business achievements over the last twelve months with significant growth in business activity being undertaken. This has resulted in a growth of staff numbers of 27%. One of the most significant developments over the last year has been the opening of our new facility in Ballymena. With financial support from the Gallaher Trust the organisation is developing this location as a major recycling hub which will service a number of contracts which have been secured with several local councils. This new site will also see the location of an additional factory shop facility. The Board very much appreciates the contributions made by staff, Departmental officials and our external funders in securing this major investment.

The opening of our first Ability Café at the Knockbracken Healthcare Park is significant in terms of the company's aim to develop its business offering in terms of catering facilities. It is planned that a number of additional Ability Cafes will be opened in the near future. The Board recognises this as an important potential area for business and employment growth.

The Board is pleased to report that all of the recommendations of the Governance Review undertaken last year have now been implemented. A considerable amount of the Board's time is focused on ensuring sound and proper compliance throughout all aspects of our business. As Chair, I very much appreciate the diligent work undertaken by our Audit and Risk Assurance Committee. The Board reviews the Risk Register on a regular basis.

A key focus of the last year for the Board has been in respect of its role as the Management Entity of the Ulster Supported Employment Limited Retirement and Death Benefits Scheme. Proposals have been developed in terms of pension benefit re-design in order to ensure that the pension scheme arrangements are 'fit for purpose' and provide value for money for the business. The Board has sought approval from the Department for Communities for the proposals as required by our Management Statement and Financial Memorandum (MSFM). Once the necessary approvals are in place the Board will discuss with the Pension Trustees, as Scheme administrators, before undertaking a comprehensive staff consultation exercise. I would pay tribute to fellow Board members who have contributed to the management of this important exercise.

As an NDPB the relationship with our parent Department is critical and it is essential that appropriate arrangements are in place to manage that relationship. I would like to acknowledge the support received from our Sponsor Branch. Significant progress has been made in a number of key areas. A reduction in the loan payable to the Department has been agreed and is reflected in this year's accounts. We look forward to working with the Department in further developing the

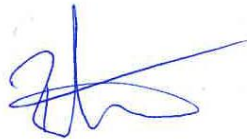
relationship arrangements between our two organisations. During the last few months the Department has been undertaking a Tailored Review which will consider the most appropriate model of delivery for achieving Usel's key objectives into the future. The Board looks forward to working with Departmental officials in considering any recommendations which may emerge.

The Board has been encouraged by the level of staff engagement that is undertaken on a regular basis. A new Value System has been developed and endorsed by the staff forum. Work is currently being finalised on the 2018-19 staff survey. There has been a 90% participation rate and preliminary results are very encouraging.

Two of our Board members retired at the end of April 2019. Trevor Hinds and Don Mackay have been dedicated members and have made an important contribution to the company's development during the last number of years. Further changes in Board membership will take place during 2019-20 and, as outgoing Chair, I offer my best wishes to the new appointees. I would also pay tribute to our Chief Executive and the other members of the Senior Management Team. Their commitment and enthusiasm has been exemplary. The business model which has been developed is robust and challenging but will help to ensure the long term sustainability of an organisation committed to 'championing ability'.



**James Perry**  
**Chairman**  
**24 July 2019**



**Bill Atkinson**  
**Accounting Officer**  
**24 July 2019**

## **Performance Report**

### **Overview**

Ulster Supported Employment Limited (Usel) is an executive Non-Departmental Public Body (NDPB) and operates under the direction of the Department for Communities (DfC) (formerly the Department for Employment and Learning) and in particular on a day-to-day basis the Guidance, Learning and Development Branch. The Company is a private, not for profit Company, limited by guarantee and does not have a share capital, domiciled in Northern Ireland.

The Company is a registered charity under Section 505 of the Income and Corporation Taxes Act 1988 with effect from 20 March 1996.

The Company was established in 1962 to fulfil an act of Parliament to provide supported paid employment for disabled people and in 1980 the Company expanded through the acquisition of the Workshops for the Blind (The Belfast Association for the Employment of the Industrious Blind) to become the largest employer of disabled people within Northern Ireland. At the time of the merger the Workshops for the Blind had been providing employment only for people with vision impairment as it had always done since it was established in 1871.

By special resolution the Company changed its original incorporation name of Ulster Sheltered Employment Limited to Ulster Supported Employment Limited on 25 September 1998. There have been no changes in the Company's activities during the year and none are anticipated in the foreseeable future. These accounts have been prepared in accordance with the accounting and disclosure requirements of the Companies Act 2006 and in a form directed by the Department for Communities with the approval of the Department of Finance.

Whilst Usel is a non-departmental public body, it operates on a social enterprise business model. As a social enterprise, Usel is subject to the standard risks facing any business, such as sourcing materials cost effectively, competition and managing cash flow accordingly. Our products must be able to compete within the market place. The services delivered must meet client expectations. This ensures we maximise the benefit to our clients and we deliver good value for money.

### **Statement by the Chief Executive**

#### **Results for the year**

The results for the financial year are set out in the Statement of Comprehensive Net Expenditure on page 40. Net expenditure for the year was £1,474,373 (2017-18: £1,074,953). Although the Statement of Financial Position shows the Company to have a net liability position, the Directors do not consider there is a risk of the Company not being a going concern. The net liability position has several contributing factors – the defined benefit pension and the loan from the Department secured on the Cambrai Street site. The benefit re-design review referred to in the Chair's Forward is expected, when implemented, to see a reduction in the net pension liability and cash contributions going forward. Confirmation has been received from the Department that it is reasonable for Usel to assume that Grant-in-Aid funding will continue to be provided to at least 2021-22. The Department has also confirmed that presently there is no intention to call down the outstanding loan balance of £799,687 for repayment.

On this basis, the Directors consider the Company's financial position at the year-end to be satisfactory.

On the issue of risk, the management team review risk as part of the monthly management team meeting. This is then, where appropriate, updated within the risk register and the Directors receive regular updates on the risk register at the Board every month. This is further augmented by the detailed reporting of the Senior Management Team on the business in the monthly Board Report. The Directors are satisfied there are robust plans and activities to manage these risks. In terms of corporate governance the Directors recognise the need to manage the various elements within that, and are satisfied the Accounting Officer discloses accurate and timely information to them and would commend the Senior Management Team for the early adoption of key governance requirements.

## **Business review**

The Company, whilst partially funded through grant-in-aid, operates three Departments, namely 'Manufacturing and Recycling' and 'Employment Services', which are supported by a 'Corporate Services' Department.

### Manufacturing and Recycling Department

The manufacturing department operates from the factory on our Cambrai Street site, producing bedding and industrial sewing products. At 1 April 2019, there were 54 staff in post. Approximately 80% of those employees live with a disability or health condition.

Products are manufactured from raw material to finished products. All products are produced to a high standard and are compliant with relevant regulations, such as fire retardancy. Products are sold through a wide range of sources, with all margin generated being reinvested into the organisation.

Since its opening in September 2016, Usel's factory shop on the Cambrai Street site continues to deliver a sales model directly to its customer. In addition to the "bricks and mortar" option, Usel offers an e-commerce website [www.uselfactoryshop.co.uk](http://www.uselfactoryshop.co.uk). The website allows customers to view Usel's bedding products online, widening the customer base, leading to a purchase in-store.

Within Usel's Circular Economy (recycling) department, mattresses, carpet and carpet tiles are recycled. At 1 April 2019, there were 27 staff in post. Approximately 93% of those employees live with a disability or health condition. The benefit of the department extends beyond creating employment and delivers a really positive environmental impact also. In 2018-19, 46,000 units, equating to 1,000 tonnes, and 300 tonnes of carpet, were diverted from landfill.

One of the most significant developments in 2018-19 has been the opening of a new recycling facility in Ballymena. This facility will service a number of contracts which have been secured with several local councils. This new site will also see the location of an additional factory shop facility.

### Employment Services Department

Employment Services department delivers a supported employment model to approximately 1,200 clients across Northern Ireland. Employment Services contracts are gained by tendering in open competition.

This Department comprises around 39 staff who deliver the programme mix subject to the contract area and the client throughput. The Employment Services team comprises a mixture of client facing personnel known as Employment Services Officers and Employer Engagement Officers supported in a back-office function by administrators, marketing and management functions.

- A. Employment Support Scheme
- B. Support and Training to Realise Individual Development and Employment (STRIDE)
- C. Workable NI
- D. Training for Success & Apprenticeships NI (Disability Support)
- E. Training for Success

Details of the various employment programmes are outlined below.

#### Corporate Services Department

In 2018-19, Corporate Services delivered support in a range of functions, namely Finance, Compliance, ICT, Quality & Policy, Health & Safety and Environment.

During 2018-19, a health and well-being programme was designed and implemented. A staff consultation process informed a range of initiatives, such as mindfulness sessions, lunch and learn sessions and a weekly yoga class. In addition, there was some investment in shared-area facilities such as the “Employability Hub” for TfS students and a quiet room, which is particularly beneficial for those with a sensory condition.

Usel signed up to the Equality Commission’s Mental Health Charter, to show its commitment to promoting positive mental health in the workplace.

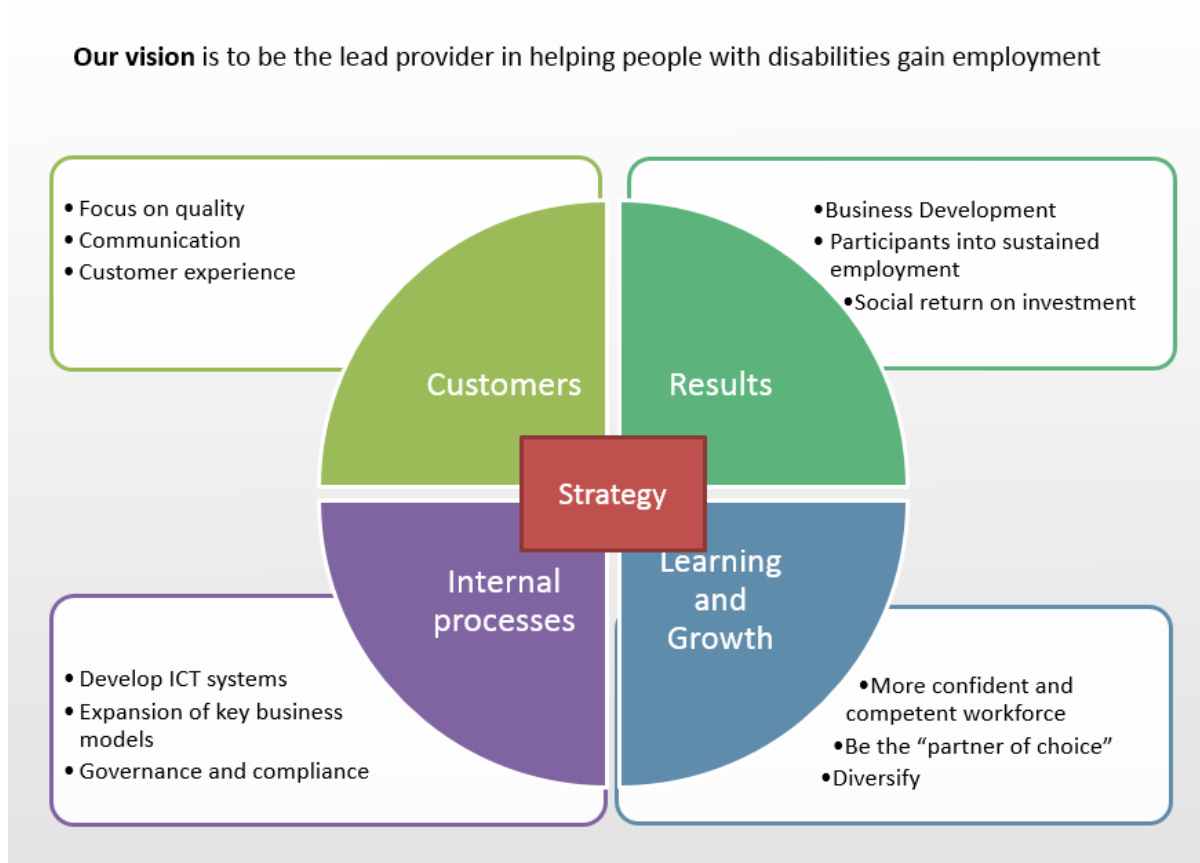
#### **Purpose**

The Usel core focus remains supporting people who live with disabilities or health related conditions and moving them closer to, into and within employment, training and further education. The Usel logo of “U-Make, U-Work, U-Learn” is provided for through the different sectors of the organisation and this can be seen in the detail outlined in this report.



## Performance Analysis

This is the mid-point of Usel's draft Corporate Plan 2017-2021. Usel continues to embed the core methodology of the balanced score card across the organisation. It cascades the core elements of the metrics system from Customer, Results, Internal Processes and Learning and Development across the organisation.



As Usel continues to focus efforts on growing, the business' ability to network and partner effectively is a critical skill. The need to identify strategic partners and partners who have a desire to collaborate is now a key business driver. Usel's ability to develop sustainable business relationships with partners across the various geographies including within NI and outside NI on a European stage and across the main sectors in which the Company operates (the private, public, voluntary and community sector), specifically in relation to social enterprise which is now a key element within business activity.

## Detailed Analysis

### Employment Services Department:

#### A: Employment Support Scheme

The Employment Support Programme (ES) provides long term support for people with disabilities and health related conditions to enable them to sustain employment and overcome any barriers or difficulties in relation to their disability. Usel remains the largest provider of this programme in Northern Ireland with 332 (31 March 2018: 347 clients) remaining active on the programme at the

year end.

#### B: Support and Training to Realise Individual Development and Employment (STRIDE)

During 2018-19, Usel was successful in its bid to deliver another pre-employability programme, supported by the European Social Fund. The STRIDE project is a four year programme and will run from 2018-2022. The STRIDE project supports participants living with a disability, who are unemployed or economically inactive, to move them closer to employment. Usel provides a range of support including employability training, qualifications, work placements, supported employment and subsidised employment opportunities.

The programme aims to support 200 participants each year and deliver 140 accredited qualifications. Of the 200 participants, the target is to get 30% into work and 15% into further education/training. In 2018-19, 215 participants were supported on the programme and 156 accredited qualifications were achieved. 56% of participants left the programme and gained employment. 15% left the programme for further education/training.

The STRIDE programme has enabled Usel to operate a social enterprise café. “Ability” café opened in May 2018 and is a training café for adults with a learning disability. The café is located at Knockbreda Health & Well-being Centre, a Belfast Trust site. The café provides accredited and non-accredited training, in areas such as food preparation and food hygiene. 60% of the adults who undertook training at Ability during the year progressed into supported employment.

#### C: Workable NI

Usel successfully tendered for this programme in July 2016 and was awarded a five-year contract. To qualify for the programme, individuals with disabilities or health conditions must be in employment. Usel can provide support in a number of ways, including job search, access and delivery of qualifications, one to one support, mentoring and working with families and employers to enable individuals to find and sustain employment.

During 2018-19, Usel was able to support 341 individuals via the Workable NI programme. Some 100 clients left the programme during the year for a variety of reasons, including moving into unsupported sustained employment.

The programme has been crucial for a number of our clients on the STRIDE programme, enabling us to support them as they progress into employment.

#### D: Training for Success & Apprenticeships NI (Disability Support)

Usel has been working along with a number of training providers and key partners including colleges to provide specialist support to those people on the Training for Success or Apprenticeship NI programmes who face a range of barriers to their development and training.

During the year 2018-19 the Company delivered support to 280 participants, which added up to 7,010 hours on the Training for Success (TFS) programme. The range of supports include one-to-one mentoring, classroom support and job search activities.

## E: Training for Success

In June 2017, Usel were successful in winning three contract lots (Antrim & Newtownabbey, Belfast City and Lisburn & Castlereagh) for the Training for Success 2017 contract. Delivery commenced in September 2017 with six learners on the programme, all in the vocational area of Retail. In 2018-19, a new cohort of nine new learners joined.

In 2018-19, the retention rate was 94%, against an Education Training Inspectorate “good” target of 80%.

### Manufacturing and Recycling Department:

The Manufacturing and Recycling Department delivers three key areas:

#### 1: Mattress and bed manufacture

Following on from a strong 2017-18, Usel has improved on sales and units produced, finishing in line with budget. Management identified several new market sectors and as a result a number of new customers. The objective for 2018-19 is to continue to increase sales level and market share in line with corporate strategy.

The hard work delivered by the sales and production teams during 2018-19 has secured an order book that has allowed Usel to grow customer base within selected markets.

#### 2: Industrial sewing

Similar to bedding, the industrial sewing department performed well during 2018-19 finishing in line with budget. This is a result of a concentrated sales strategy from the sales team within Usel with emphasis on targeting new customers and markets. This department is already looking very positive for 2019-20 with a good strong order book and strategy being to spread to a wider customer base.

During 2018-19, Usel continued to work closely with customers across the Fire, Police and Ambulance services not only in Northern Ireland but other services across the UK and Ireland (e.g London Fire Brigade, Strathclyde Fire and Rescue) and in conjunction with this have developed several additional customers within this sector.

During 2018-19, Usel secured funding from Innovate UK to partner with the University of Ulster in a Knowledge Transfer Partnership (KTP). The focus of the KTP project is on the industrial sewing section, seeking to promote and diversify its current range of bags.

#### 3: Circular Economy

##### Mattress Recycling

In 2018-19, Usel continued to see an appetite for new market opportunities within a circular economy model. The mattress recycling team had a really successful year, substantially increasing the number of mattresses recycled to approximately 46,000 (2017-18: 28,000 mattresses recycled). This exceeded forecast of 35,000 to be recycled in 2018/19.

Management have been successful in securing contracts with several Councils across Northern

Ireland and are in negotiations with several others. They were also successful in securing deals with some large retailers operating in Northern Ireland, recycling the mattresses returned from its customers.

100% of materials extracted during the mattress recycling process are recycled into new non-mattress products.

One of the most significant developments in 2018-19 has been the opening of a new recycling facility in Ballymena. This facility will service a number of contracts which have been secured with several local councils. This new site will also see the location of an additional factory shop facility.

### Carpet Recycling

In the latter stages of 2017-18, Usel commenced a carpet recycling pilot with Belfast City Council. The benefits from the pilot were realised in 2018-19, recycling approximately 300 tonnes of carpet.

### Corporate Social Responsibility

The Company takes its responsibility as a corporate citizen seriously and attempts to ensure employees, clients, service users and customers are fairly treated and respected as articulated in its new Values Statement: "We strive to be a people centred, sustainable organisation that adds value through respect for others and commitment to excellence".

The Company ensures its impact on the community locally and nationally is positive and environmental footprint is reduced where possible. In 2018-19, Usel conducted a social impact analysis in the form of a retrospective social return on investment (SROI) assessment of the 2017-18 period of activity. The social impact analysis is based on an Outcomes Framework that investigates how investment (inputs) in activities creates outputs and outcomes. A SROI ratio of approximately £1:£15 (2016-17: £1:£10) was calculated, so for every £1 invested in Usel, £15 of social value is generated.

### **ISO 9001:2015 and 14001**

The Company holds the quality of products and service delivery close to the core of the business and is accredited with ISO 9001:2015 and during 2018-19 became accredited for 14001, which incorporates environmental standards into the management standards. There were no instances of major or minor non-conformances.

### **The Environment**

Over the last year the Company has continued to promote environmental awareness as a key part of its overall strategy. Usel has again achieved Gold status in the Northern Ireland Environmental benchmark survey.

Mattress recycling has gone from strength to strength and management is working with additional councils to divert this product from landfill. In 2018-19, Usel recycled approximately 1,000 tonnes (2017-18: 617 tonnes) of mattress waste, diverting 100% from landfill.

During 2018-19, a number of other projects commenced, which have had positive environmental impacts:

- Usel became the only recycler of carpet tiles in Ireland;
- Usel became Ikea's strategic partner for its "take back" scheme – repairing items which had been returned to Ikea for being faulty.

Within the factory and outlying offices, Usel continues to monitor consumables and as the company refurbishes areas it is introducing more environmentally friendly substitutes, for example LED lighting rather than halogen or florescent units.

### **NIEA Prosperity Agreement**

In 2017-18, Usel and the Northern Ireland Environment Agency (NIEA) agreed a framework based on joint business aspirations towards long term prosperity between Ulster Supported Employment Limited and the NIEA.

The parties agreed to put in place a framework based on the following joint aspirations to move their business further towards long-term prosperity through improved environmental outcomes:

1. Seeking opportunities to explore innovative solutions to implement resource efficiency and sustainability of business in Northern Ireland.
2. Working in collaboration with the supply chain, other stakeholders and the community to influence environmental outcomes and develop the circular economy.
3. Working together to promote better regulation and secure good business practice.

### **Disability Discrimination (Northern Ireland) Order 2006**

Under Section 49A of the Disability Discrimination Act 1995 (DDA 1995) (as amended by Article 5 of the Disability Discrimination (Northern Ireland) Order 2006), Usel is required when carrying out its functions to have due regard to the need to:

- promote positive attitudes towards disabled people; and
- encourage participation by disabled people in public life ('the disability duties').

Under Section 49B of the DDA 1995, Usel is also required to submit to the Equality Commission a disability action plan showing how it proposes to fulfill these duties in relation to its functions. The approved Disability Action Plan spans the duration of the Corporate Plan 2017-2021, and is available on our website [www.usel.co.uk](http://www.usel.co.uk).

We have appropriate internal arrangements in place to ensure that the disability duties are complied with and this disability action plan is effectively implemented, through tracking of our Action Measures, employee feedback and training. We ensure the effective communication of the plan to employees, provide all necessary training and guidance on the disability duties and the implementation of the plan.

### **Section 75 Duties**

As an NDPB, Usel has a requirement to comply with the Northern Ireland Act 1998, Section 75 Statutory Duties and produce an Equality Scheme outlining the processes the Company will follow

to ensure its obligations are met. The Company maintains a firm commitment to meeting its Section 75 obligations. The ICT and Compliance Manager has responsibility for compliance and adherence with the full support of the Board and Senior Management Team.

**Respect for Human Rights**

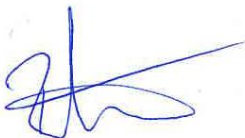
Through mechanisms such as Section 75 and Section 49B outlined above, Usel demonstrates its support in respecting individuals' human rights.

**Anti-Corruption and Anti-Bribery Matters**

Usel have policies in place to protect the organisation and its staff from corruption and bribery. There were no instances of corruption or bribery in 2018-19 (2017-18: nil).

**Auditor's Remuneration**

The Auditor's Remuneration is stated in Note 9 to the Financial Statements.



**B Atkinson**  
**Chief Executive and Accounting Officer**  
**24 July 2019**

## Accountability Report

### Directors' Report

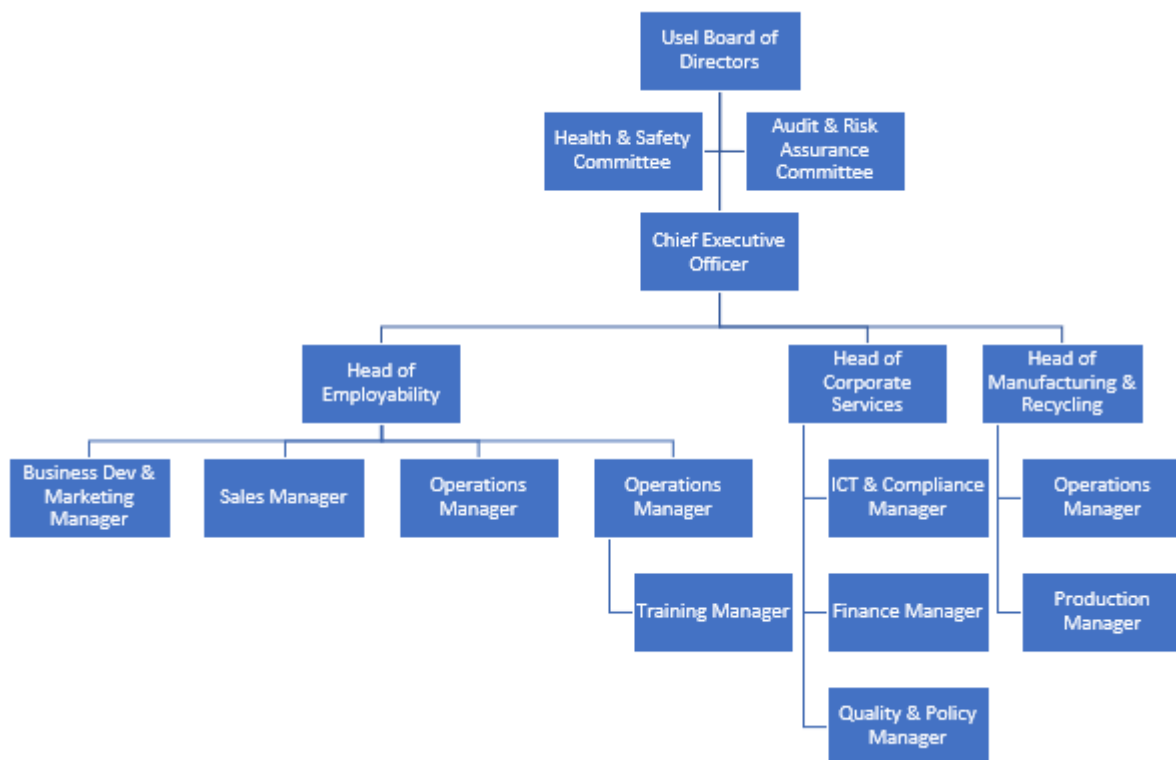
Year ended 31 March 2019

### Background Information

The Directors and Advisers are listed on page 3.

## Company Structure Overview

The management structure of the Company is set out below:



## Employee involvement

The Company continued to pass information to all employees via a cascade process for employee involvement in this past year. This means that the Chief Executive briefs the entire organisation on a regular basis.

The Company continued to run the Employee Forum at which employee representatives are informed of the status of the business and are given the opportunity to engage in questions and answers.

Employee and union representatives have been nominated by their peers and attend a structured meeting with the CEO, Head of Corporate Services and other managers as appropriate. At this meeting employees are encouraged to raise issues they or their peer group deem appropriate. A Health and Safety committee was established to ensure all health and safety issues are managed

appropriately. Each employee within the organisation has team meetings on a regular basis which provide a forum for the employees to be kept abreast of developments and feed back their perspective on changes.

The designated competent person is the Chief Executive who works with external support to ensure the system of Health and Safety across the organisation is in place.

### **Accounting policies**

The financial statements have been prepared on a going concern basis in accordance with the 2018-19 Government Financial Reporting Manual (FReM), in a form directed by the Department for Communities, with the approval of the Department of Finance.

### **Payments to suppliers**

Usel is committed to the prompt payment of bills for goods and services received in accordance with the Better Practice Prompt Payers Code. Unless otherwise stated in the contract, payment is due within 30 days of the receipt of goods or services, or presentation of a valid invoice or similar demand, whichever is later. On average 96% (2017-18: 96%) of supplier invoices were settled within this timeframe.

In addition, in line with Government Best Practice Usel endeavour to pay within 10 working days. On average, 64% (2017-18: 57%) of supplier invoices were settled within this timeframe.

### **Pension fund**

The Company continues to deliver dual pension provision following auto enrolment, with both a Defined Benefit scheme and a Defined Contribution scheme operated by NOW Pensions.

The assets of the Defined Benefit Scheme, established for the benefit of the Company's employees, are held in a Trust separately from the assets of the Company. Mr Jim Perry independently chairs the Board of Trustees. The Trustee Board also has two members nominated by the Directors and two members nominated by the members of the Pension Scheme.

### **Subsequent events**

No significant events have occurred since the reporting date which affect the Company or which materially affect the financial statements of the Company.

### **Non Current Assets**

Changes in the non-current assets of the Company during the year are disclosed in Note 10.

### **Personal Data Related Incidents**

There are no personal data related incidents to report (2017-18: no incidents).

### **Political Donations**

Usel did not make any political donations in 2018-19 (2017-18: £nil).



## Register of Interests

The Corporate Governance in Central Government Departments: Code of Good Practice (NI) 2013 requires the Board to publish how it identified any conflicts of interest and potential conflicts and how these have been managed.

Several members of the Board of Usel are also involved with other charitable organisations in Northern Ireland, either directly or indirectly as a result of a family relationship, a close friendship or business relationship. All individuals make an annual declaration of their interests and do not take part in discussions and decisions regarding those organisations with which they have a declared interest.

Details of related party transactions are detailed in Note 22.

## Directors

Details of the composition of the Board during 2018-19 and post year-end changes are disclosed on page 3.

### **Jim Perry – Chairman**

James Perry MSc FCA is a Chartered Accountant and was the chair of the Northern Ireland Social Care Council until 31 March 2018. He is a Non-Executive director for the Pharmaceutical Council NI and is also currently vice chair of Ballymena Business Centre. He is a trustee of the Gallaher Trust, which has been established to help support business development in the Ballymena area. Mr Perry previously held post as Chair of the Board of Governors of Ballymena Academy, is a past Associate with the Centre for Competitiveness, and was previously employed as Corporate Services Director with the Northern Ireland Tourist Board. Mr Perry worked for nearly 20 years as a Senior Manager with Northern Ireland Electricity (NIE).

### **Aidan Bennett – Finance Director & Audit and Risk Assurance Committee Chair**

Aidan Bennett was appointed as a Director of the Company in April 2012. Aidan is a qualified Company Director with an extensive background in delivering major transformation programmes across both the Public and Private Sectors. Aidan was appointed the Company's Finance Director and Audit Chair in December 2012. He also holds a position as Trustee Director in RelateNI.

### **Gavin Adams – Director**

Gavin Adams was appointed as a Director of the Company in April 2012. He is currently Director of Business Development with the Extern Group, where he is responsible for fundraising, finance, ICT, communications and marketing for the organisation. He was previously Senior Manager for Business Development with the Royal National Institute for Blind People and Head of Programmes with the Big Lottery Fund.

### **Trevor Hinds – Director (Resigned 30 April 2019)**

Mr Hinds is the Principal at Trevor Hinds Consultancy. He has previously been a Director in Pricewaterhouse Coopers (PwC) and was a General Manager and Company Secretary for International Factors (NI) Ltd, a wholly owned subsidiary of Bank of Ireland. Mr Hinds is currently a Board Member and Trustee of Mindwise Limited. He retired as a Board Member of Bryson Future Skills Ltd in 2018.

**Donald MacKay – Director (Resigned 30 April 2019)**

Mr Donald Mackay is a former senior manager in the Northern Ireland Fire and Rescue Service (NIFRS). He has previously held a position as local councillor on Craigavon Borough Council. Mr Mackay is a Board member of the NI Community Relations Council; NI Lay Advisory Group member of the Royal College of Emergency Medicine; and a member of the Victims & Survivors Forum.

**Carol Magill – Director**

Ms Carol Magill is a Marketing and Communication Consultant who works with local and international brands. Carol was elected as a Fellow into the Chartered Institute of Marketing in 2016. Carol is also joint owner of a heritage building, the Coastguard Boat House, which has been recognised as a leading international tourist attraction. In addition, Carol was formerly Head of Communications in the Department of Culture, Arts and Leisure and was a Head of Policy in the Department of Employment and Learning.

**Raymond Donnelly – Director (Appointed 1 May 2019)**

Mr Donnelly's background is within Human Resource Management and Business Improvement. He has been a member of the Corporate Management Team in a number of organisations including Newry & Mourne Health and Social Care Trust and Craigavon Borough Council. He has experience of identifying the key strategic issues to progress change management, and of implementing corporate communication and training programmes. He does not hold any other public appointments.

**Dermot O'Hara – Director (Appointed 1 May 2019)**

Mr O'Hara is a former Director of People Strategies with the Local Government Staff Commission for NI, where he facilitated the negotiations at regional level between employers and trade unions on the policies and procedures to enable transfer of staff to the new councils. He is a former Non-Executive Director of the South Eastern Health and Social Care Trust Board, where he chaired its Finance Committee, and brings strategic planning skills to the Board. He does not hold any other public appointments.

## **Governance Statement**

### **Scope of Responsibility**

As Accounting Officer, I have responsibility for ensuring and maintaining a sound system of internal control that supports the achievement of Usel policies, aims and objectives, whilst safeguarding the public funds and Company assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money Northern Ireland. In this context, Usel's Financial Memorandum and Management Statement sets out the accountability arrangements.

### **Purpose**

The Governance Statement is designed as a synopsis document covering the governance frameworks, their delegated requirements and the effectiveness of our system of control and governance.

We continue to view risk within the systems of internal control as being managed at a reasonable level rather than to eliminate all risk, as this would lead to failure to achieve policies, aims and objectives. Usel, whilst an NDPB, operates as a commercial entity delivering a social enterprise business model in pursuit of the core aims and objectives of the Company.

My governance statement is issued on the basis of an on-going process, rather than a snapshot in time. It is given within the parameters of a system designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of governance has been in place in Usel for the year ended 31 March 2019 and up to the date of approval of the annual report and accounts and accords with DoF guidance.

### **Capacity to Handle Risk**

The Audit and Risk Assurance Committee met four times in the year and the risk register was formally presented following update. On that basis, as Accounting Officer, I receive a high degree of comfort that from Board through to managers, each individual with delegated authority is operating from a frame of reference which permits the risk management of the organisation to be handled appropriately.

The Company's values are based in the provision of paid, supported employment for people with disabilities or health conditions in Northern Ireland. The Company operates on strict commercial business lines with each manager held fully responsible for achieving his/her budget and targets. A key performance indicator system is utilised to ensure budgetary control and targets are delivered. Key performance indicators include number of mattresses collected and number of participants on programmes etc which are tracked against targets, agreed at the start of the financial year.

The Director with responsibility for Usel within the Department for Communities, liaises with the Usel Chairman. The Sponsoring Branch hold monthly, formal meetings with the Chief Executive and the Head of Corporate Services.

The Senior Management Team communicate with the branch on a regular basis from operational matters to corporate matters, usually by e-mail or telephone contact. Other ad-hoc meetings are arranged as and when required.

## **The Governance Framework**

### **Accounting Officer:**

As Accounting Officer I discharge my responsibility through a system that is commensurate with the size and nature of the Company. I meet the Accounting Officer of our sponsoring department annually to discuss the key business issues. At that meeting, I meet the Director of the Department for Communities and the Head of the Sponsoring Branch. This is further augmented on a monthly basis with the business meeting between the sponsoring branch, the Chief Executive and Head of Corporate Services.

### **Board:**

The Company applies the best principles of good governance with a corporate governance structure of a Board of Non-Executive directors appointed by the Minister for Employment and Learning (now Department for Communities) following a public appointment process. Usel comprises a Board of six directors, who are appointed following a public appointments process. The Directors appoint one member to act as Finance Director, who is also the chair of the Audit and Risk Assurance Committee. The Committee ensures that the Senior Management Team is supported and challenged in equal measure.

Directors are provided with adequate training in respect of compliance with Codes of Practice, such as HM Treasury Code of Good Practice 2005, this is encapsulated in the terms of reference and code of conduct for Board members provided to each Director upon commencement. Directors receive a copy of Managing Public Money NI.

The Board meets 11 times per year for formal Board meetings and at other times throughout the year as required. The Chief Executive provides the Board with a full management commentary. Senior managers contribute a written commentary from their business area within the Board pack. We meet as a Board and whole management team annually for a full day to review progress, hear from line managers and review Corporate Plan alignment.

The Company's Head of Corporate Services provides the Board with performance against budget, with detailed disclosure of all financial matters relevant to the Company at Board level. The monthly Board pack provides the Board with full disclosure on all matters within the organisation. The Board pack contains key finance, operational and governance information on which the Directors remain fully briefed.

The Board noted in its annual review that the data provided to them is comprehensive, sufficiently detailed, accurate and timely. Changes to reporting, enhancing the quality of information to the Board, are implemented promptly.

Annually the Board reviews the performance of the CEO through the delivery of the Corporate and Annual Business Plan. The Board reviews monthly performance of the Company and the senior team attend all Board meetings to provide a direct account for their business area.

On a monthly basis, the Board receives detailed information in respect of the individual business areas. This process ensures full accountability and transparency in their oversight of the Company as it also provides the Board with a breadth and depth of data which is only possible due to the relative scale of the Company.

### Board Meetings:

To ensure effective use of Board time, an Agenda and supporting papers are circulated one week in advance of meetings, outlining key topics for discussion. This allows the Board sufficient time to discharge its duties effectively. The Board remains focussed on prime issues regarding the Company and providing opportunity to explore key issues monthly. During the year the Board set aside other days to engage with the whole management team and to deal with specific topic areas outside the normal transaction business of the Board.

Attendance of Directors and Senior Managers at Board meetings:

Name of Attendee	Record of Attendance
Jim Perry (Chair)	11/11
Aidan Bennett	11/11
Gavin Adams	10/11
Trevor Hinds	11/11
Donald Mackay	10/11
Carol Magill	10/11
Bill Atkinson	11/11
Sarah-Jane Mowbray	11/11

### Tailored Review

Government departments should complete regular reviews of their arms-length body (ALB) to make sure they are aligned to strategic objectives, well governed and providing value for money. The Review focuses on three key areas:

- **Continuing need:** to provide a robust challenge and assurance on the continuing need for individual organisations – both their functions and form. This includes alternative delivery models.
- **Effectiveness and efficiency:** capacity for delivering more effectively and efficiently, including identifying the potential for efficiency savings and where appropriate, ability to contribute to economic growth. It should include an assessment of the performance of the organisation or assurance that processes are in place for making such assessments.
- **Control and governance:** control and governance arrangements in place to ensure that the organisation and its sponsor are complying with recognised principles of good corporate governance. These principles will vary according to the public body under review and departments should consult the relevant guidance

During 2017-18, the Department's Internal Audit Unit (IAU) initiated a Governance Review, completing a preliminary review of Usel's controls, governance and efficiency arrangements. They identified a number of important issues to be addressed to improve controls and ensure there is effective oversight and review of Usel's operations, from the perspective of the Department, the Usel Board and the Usel management team.

The areas identified for recommendation included:

- Corporate Governance and Risk Management, to ensure the Board are equipped with sufficient information to fully discharge its responsibilities;
- Procurement, ensuring Usel fully utilise CPD's expertise;
- Human Resources, specifically in relation to a redundancy in 2017 and the Voluntary Exit Scheme (VES);
- Financial Management, particularly in relation to improving the quality of financial information provided to the Board.

The Department issued its report with 15 recommendations in April 2018. An action plan was developed and recommendations were implemented by Usel's Senior Management Team by 31 October 2018.

In November 2018, the Department engaged with the Department of Finances' Business Consultancy Service (BCS) to provide a robust, independent challenge and assurance on the continuing need for Usel – both its function and form. This includes alternative delivery models. The *Tailored Reviews: Guidance on Reviews of Public Bodies* provided the framework for the BCS review. Findings of this report are currently pending.

#### **Clarity of roles- review of committee structure:**

The Board recognise that the Company is a small entity and therefore the Board and Committee structure should be commensurate with the needs of the entity. Three sub-groups are currently in operation:

- Audit and Risk Assurance Committee – see below;
- Health and Safety Committee - membership includes a non-executive Director, the CEO and three members of appropriately qualified staff;
- Employee Forum – membership includes staff from each area of the business.

#### **Board Effectiveness:**

The Board conducted a formal and rigorous evaluation of its 2018-19 performance. The Board was generally content with its performance, in areas such as sight of management, understanding the Company and its business and conduct of Board meetings. One area for improvement is the Composition of the Board, with regard to specific skills. Feedback from Board members has been provided to DfC as it manages the process.

The Chair of the Board completed a performance review for each Board member. The performance of the Chair was reviewed by a Senior Civil Servant in the Department for Communities.

The Company Secretary, a qualified accountant, provides secretariat support to the Board. It is the responsibility of the Company Secretary to ensure an appropriate Agenda and supporting papers are circulated to the Board in a timely manner; that Board decisions are recorded accurately and action points are followed up; to challenge the quality of, and information in, the Board papers etc.

At the start of each Board meeting, the Chair requires all Board members to declare all conflicts,

perceived or actual. This is contained within the minutes of the meeting. During the course of the year, one potential conflict was declared by a Board member. It was noted in the minutes. The conflict never materialised.

#### **Audit and Risk Assurance Committee:**

The Audit and Risk Assurance Committee meeting is attended by the Chief Executive and Head of Corporate Services along with External Audit representation from the NIAO and its subcontractor, KPMG, the sponsoring branch representative and the Internal Audit service provider representative. In addition, the Directors of Usel, with the exception of the Chair of the Board, are members of the Audit and Risk Assurance Committee.

Audit and Risk Assurance Committee members receive appointment letters and terms of reference aligned to HM Treasury guidelines. The committee meets four times per annum as per best practice guidelines.

In 2018-19, the attendance of members at Audit and Risk Assurance Committee meetings was as follows:

<b>Name of Member</b>	<b>Record of Attendance</b>
Aidan Bennett (Chair)	3/4
Gavin Adams	4/4
Trevor Hinds	4/4
Donald Mackay	3/4
Carol Magill	3/4
<b>Name of Attendee</b>	
Bill Atkinson	4/4
Sarah-Jane Mowbray	4/4

#### **Pension Trustees:**

The Company operates a dual pension provision.

1: Defined Benefit Scheme: This scheme closed to new entrants on 31<sup>st</sup> January 2014. During 2015-16, the Company worked with the Department of Finance and Personnel to ensure the Company's Scheme was compliant with the wider public sector pension reforms. The Trustee Board comprises five members, two elected from Scheme members and three appointed by the Company. Currently, the Chair of the Usel Board acts as the Chair of the Pension Trustee Board. The Trustees meet on at least three occasions per annum with other ad-hoc meetings as required to monitor the Scheme's funding, administration and investments, keep up to date with pension legislation and make decisions that affect the future of the Scheme and its members.

The role of Pension Trustee is a challenging and onerous one and requires high levels of Pensions Regulator mandated training, which must be completed within six months of appointment.

The Company continues to meet the deficit repair contributions required under the current recovery plan and schedule of contributions.

2: Defined Contribution Scheme: The Company selected NOW Pensions as the provider of choice

for this new auto-enrolment vehicle. It is governed externally and because it is proprietary in nature it does not require an internal pension trustee group to be established.

As part of its governance responsibilities, the Board, in its role as Management Entity of the Usel Retirement and Death Benefits Scheme, has undertaken a review of pension scheme arrangements and future benefit re-design options. A business case has been prepared, outlining a range of benefit options and Usel's preferred option has been submitted to the Department for Communities for approval. Once the necessary approvals for the benefit re-design are in place, as required by the Management Statement and Financial Memorandum, there will be discussions with the Trustees, as Scheme Administrators, and a staff consultation exercise will be undertaken in respect of future benefit arrangements.

### **Risk Management:**

The systems utilised by Ulster Supported Employment Limited have a proven track record to identify, quantify, action and report on risk identified. The Company operates a system where a person has ultimate responsibility and accountability for managing the individual risk.

While the risk register is formally reviewed prior to the Audit and Risk Assurance Committee meetings, with any revisions made following discussions at that meeting, the register is kept updated throughout the year. The Management Team identify risks at each monthly meeting, where appropriate these risks are either subsumed into the main risk register or established as a separate line entry on the register for deeper discussion and management action.

Through this process the Board and Audit and Risk Assurance Committee have agreed a low to medium risk appetite overall for the organisation. That said, due to the commercial nature of the Company there are times when the risk appetite for a specific element is higher as commercial risk is a day to day feature of this entity. The Board are content that such risks are mitigated as fully as possible and well managed on a day to day and longer term basis.

There are a number of key risks which an organisation operating commercially will face. During 2018-19, a number of new risks were identified and managed, including the recruitment of new Board members, risks associated to the defined-benefit pension scheme and new areas of business. We consider there are sufficient mitigating controls in place to reduce the risks identified. Each risk has a management plan and to date these plans have successfully navigated the Company through the economic landscape in which we operate.

I use other areas of input to allow me to provide the Audit and Risk Assurance Committee, the Board, the Department and the Accounting Officer of our sponsoring department with assurances. These include but are not limited to:

- ISO 9001-2015 Quality Management system six-monthly external audit;
- ISO 14001 Environmental Management system six-monthly external audit;
- Internal Audit findings and recommendations;
- Dear Accounting Officer / Dear Finance Officer letters and guidance passed to me by the Department;
- Public Sector training for areas of change;
- External auditor reports for programmes delivered on behalf of the Department for Communities (formerly Department for Employment and Learning);
- External auditor reports for European Social Fund funded programmes;



- Audits from ESF match funders;
- External reviews of the Company's Health and Safety and Fire risk;
- External reviews and assessments of our insurance risks by insurance assessors;
- Participation in the National Fraud Initiative;
- EFQM assessment;
- ALB review process, including the Triennial Governance review and ongoing Tailored Review;
- Education and Training Inspectorate report.

These audits and reviews have all provided positive assurance of the control mechanisms within the Company for the year 2018-19. No material issues were noted, nor were any significant risks or fraud identified.

Following an internal audit review in 2018-19, we received an overall satisfactory assurance on all levels tested, details of which are included in the Assembly Accountability and Audit Report. On the foregoing basis I have a system of control which permits me to annually meet the Permanent Secretary in his capacity as Accounting Officer, and provide a six monthly assurance statement that the organisation is managed and run appropriately and is fully compliant.

On the issue of Information Assurance I can confirm that Usel continues to enforce policies set out to protect data. These include:

- \* Updating servers and firewalls to meet latest security protocols
- \* Back up procedures to ensure data is protected and stored electronically
- \* Management of data in manual format to protect it and safeguard the data
- \* Updating the Data Protection Policy procedure for all staff due to implementation of General Data Protection Regulation in May 2018
- \* Enforcing Company policies on ICT equipment
- \* Business Continuity Plan

Throughout the year 1<sup>st</sup> April 2018 – 31<sup>st</sup> March 2019 I can confirm that there were no data breaches.

## **Charitable Status**

Usel is currently working with the Department for Communities to resolve one long-standing issue, which is preventing the Company being formally registered with the Charity Commission for Northern Ireland (CCNI). The issue is in relation to the loan from the Department, secured on the Cambrai Street site. Usel is currently on the CCNI "deemed list", pending resolution of this issue. Whilst there is no deadline for a conclusion, financially, the successful application and acceptance of the Company as a registered charity is a key area of focus.

## **Review of Effectiveness**

As Accounting Officer, my review of the effectiveness of the system of internal control is informed by the work of the internal auditors, the Senior Management Team within the Department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. The Board and the Audit and Risk Assurance Committee address weaknesses and ensure continuous improvement of the system in place and advise me on the implications of the results of reviews

of the effectiveness of the system of internal control.

The full engagement of the Audit and Risk Assurance Committee and Directors in all matters through the open and transparent nature of information passage to the Board and the sponsoring branch allows me to denote the effectiveness of our governance arrangements.

Compliance with our published codes of practice and guides on the Board and Audit and Risk Assurance Committee was achieved, which permits me the opportunity to present and endorse this governance statement, with no issues to note.

Although the Statement of Financial Position shows the Company to have a net liability position, the Directors do not consider there is a risk of the Company not being a going concern. The net liability position has several contributing factors – the defined benefit pension and the loan from the Department secured on the Cambrai Street site. The benefit re-design review referred to previously is expected, when implemented, to see a reduction in the net pension liability and cash contributions going forward. Confirmation has been received from the Department that it is reasonable for Usel to assume that Grant-in-Aid funding will continue to be provided to at least 2021-22. The Department has also confirmed that presently there is no intention to call down the outstanding loan balance of £799,687 for repayment. On this basis, the Directors consider the Company's financial position at the year-end to be satisfactory.

## Statement of Accounting Officer's Responsibility

The Department for Communities has directed Usel to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Usel and of its income and expenditure, statement of financial position and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the accounts direction issued by the Department for Communities including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the financial statements;
- prepare the accounts on a going concern basis;
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

The Department for Communities has appointed the Chief Executive as Accounting Officer of Usel. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding Usel's assets, are set out in *Managing Public Money Northern Ireland* published by HM Treasury via the Department of Finance.

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that Usel's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

## Statement of Directors' Responsibilities

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

Company law and Article 8(6) of the Financial Provisions (Northern Ireland) Order 1993 require the Chief Executive and Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the income or expenditure of the Company for that period.

The Department for Communities has directed Usel to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Usel and of its income and expenditure, statement of financial position and cash flows for the financial year.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Chief Executive and Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal controls as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

In addition, in appointing the Chief Executive of Usel as Accounting Officer for the Company, the Department for Communities has placed on the Chief Executive responsibilities including the regularity and propriety of the public finances and for the keeping of proper records, which are set out in the "Accounting Officers Memorandum" issued by the Department of Finance.

**Statement of disclosure of information to auditor**

So far as each of the Directors in office at the date of approval of these financial statements are aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**Auditor**

Under the Companies (Public Sector Audit) Order (Northern Ireland) 2013 Ulster Supported Employment Limited is subject to a public sector audit by the Comptroller and Auditor General (C&AG). Although the Northern Ireland Audit Office (NIAO) have contracted the work to KPMG, the audit opinion is issued by the Comptroller and Auditor General.

## Remuneration and Staff Report

### Remuneration Policy

The Non-Executive Directors hold appointments which last for three years and the Minister for the Department for Communities has the option of re-appointing for a further three years after consideration of a performance assessment. The Chief Executive is appointed by the Board of Directors and holds an open ended contract. The remuneration of the Directors is directed by the Department for Communities. The remuneration of the Chief Executive is agreed by the Chairman of the Board, in consultation with the Department of Finance. All other remunerations are decided by the Chief Executive. The overall annual pay remit is approved by the Department for Communities and the Department of Finance.

### Remuneration of Board Members (Audited Information)

	2018-19				2017-18			
	Salary £'000	Benefit in kind £'000	Pension Benefit £'000	Total £'000	Salary £'000	Benefit in kind £'000	Pension Benefit £'000	Total £'000
J Perry	10-15	-	-	10-15	5-10	-	-	5-10
A Bennett	0-5	-	-	0-5	0-5	-	-	0-5
G Adams	0-5	-	-	0-5	0-5	-	-	0-5
T Hinds	0-5	-	-	0-5	0-5	-	-	0-5
D Mackay	0-5	-	-	0-5	0-5	-	-	0-5
C Magill	0-5	-	-	0-5	0-5	-	-	0-5
W Atkinson	65-70	-	-	65-70	65-70	-	-	65-70

Board member remuneration is dependent on the number of hours attending, or preparing for, meetings. Mr J Perry is Chair of the Usel Board and also Chair of the Usel pension scheme. In 2018-19, Mr Perry prepared for, and attended, a significant number of meetings in relation to the pension benefit re-design and was remunerated accordingly.

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The median remuneration of the staff is the total remuneration of the staff member(s) lying in the middle of the linear distribution of the total staff, excluding the highest paid director. This is based on annualised, full-time equivalent (FTE) remuneration as at the reporting period date.

"Salary" includes gross salary; there were no bonuses paid. It does not include employer pension

contributions and the cash equivalent transfer value of pensions. Total remuneration is calculated on an annualised basis to remove any fluctuations caused by employee turnover, which do not reflect changes in pay policy.

The FTE measurement of staff is specified to ensure a level of comparability that would otherwise be distorted, if a member of staff represented a whole unit, irrespective of the hours worked.

The ratio is calculated as follows:

$$\frac{\text{Midpoint in highest paid director's pay band}}{\text{Median remuneration of Usel's staff}}$$

Highest paid official £68,508 (2017-18: £65,999)

Total remuneration ratio 4.8 (2017-18: 4.6)

The median salary during the year was £14,254 (2017-18: £14,196).

The Company operates two pension schemes. The first is a Defined Benefit scheme which is now closed to new entrants. The Scheme provides benefits on a "final salary" basis at a normal retirement age of 65. Benefits accrue at the rate of 1/60<sup>th</sup> of pensionable salary for each year of service up to 30 June 2013 and at the rate of 1/80<sup>th</sup> thereafter. The contributions to the scheme are determined by a qualified actuary based on triennial valuations and at present members pay contributions of 8% of pensionable earnings and the Company pays 22.4%. Pensions increase annually in line with the Retail Prices Index up to a maximum of 5%. On death, pensions are payable to a surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of three times pensionable pay and a spouse's pension equal to one half the member's prospective pension.

The second scheme which was established to allow the Company to comply with the auto enrollment legislation as of February 2014, is a Defined Contribution Scheme operated externally by the NOW Pensions Scheme. This was approved by the sponsoring department following consultation with the Department of Finance in 2014. There are two levels of contribution, the minimum as determined by current legislation and an enhanced level of 4% employee and 8% employer.

### Staff Report (Audited Information)

	2018-19	2017-18
<b>Staff costs</b>	<b>£</b>	<b>£</b>
Wages and salaries	5,504,290	5,272,011
Redundancy payments	194,423	297,087
Social security costs	316,516	299,267
Other pension costs	780,708	472,622
	<b>6,795,937</b>	<b>6,340,987</b>

The average number of full-time equivalent persons during the year was as follows:

	2018-19	2017-18
<b>Average number of full time equivalent persons employed:</b>	<b>Number</b>	<b>Number</b>
Male staff	274	289
Female staff	134	143
	<b>408</b>	<b>432</b>

	2018-19	2017-18
<b>Average number of full-time equivalent persons employed:</b>	<b>Number</b>	<b>Number</b>
Management and administration	59	66
Production distribution and sales	73	61
Employment support	276	305
	<b>408</b>	<b>432</b>

**Further analysis of full-time equivalent employees is as follows:**

	Male	Female
Senior civil servants	1	-
Senior managers	2	1
Employees	271	133

**Reporting of Civil Service and other compensation schemes – exit packages (Audited Information)**

<b>Exit package cost band</b>	<b>Number of compulsory redundancies</b>	<b>Number of other departures agreed</b>	<b>Total number of exit packages by cost band</b>
<£10,000	-	-	-
£10,000-£25,000	-	3 (3)	3 (3)
£25,000-£50,000	-	2 (2)	2 (2)
£50,000-£100,000	-	1 (2)	1 (2)
£100,000-£150,000	-	-	-
£150,000-£200,000	-	-	-
<b>Total number of exit packages</b>	-	<b>6 (7)</b>	<b>6 (7)</b>
<b>Total resource cost/£</b>	-	<b>£189,960 (2017-18:£258,209)</b>	<b>£189,960 (2017-18:£258,209)</b>

Please note, the figures contained within the brackets relate to 2017-18.

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme (Northern Ireland), a statutory scheme made under the Superannuation (Northern Ireland) Order 1972. Exit costs are accounted for in full in the year of departure.



**Number of Senior Staff with Annual Salaries Over £60,000**

<b>Annual Salary Band</b>	<b>2018-19</b>	<b>2017-18</b>
£60,001 - £65,000	-	-
£65,001 - £70,000	1	1
£70,001 - £75,000	-	-
£75,001 - £80,000	-	-
£80,001 - £85,000	-	-
£85,001 - £90,000	-	-

**Staff Policies****Employee Policy**

The Company is committed to providing equality of opportunity. It is our policy that all eligible persons shall have equal opportunity for employment and advancement on the basis of their ability, qualifications and aptitude for the work. Everyone has a right to equality of opportunity and to a good and harmonious working environment and atmosphere in which all staff are encouraged to apply their diverse talents and in which no worker feels under threat or intimidated. This right is protected in many instances by legislation.

**Off Payroll Disclosures**

Usel did not have any off-payroll disclosures in 2018-19 (2017-18: £nil).

**Consultancy Costs**

In 2018-19, Usel made one payment of £4,000 (2017-18: £nil) to a consultant, to assist in the preparation of a business case for new premises in Ballymena.

**Sickness Absence**

The short-term sickness absence rate for the year was 2% (2017-18: 2%).

## **Assembly Accountability and Audit Report**

### **Audit and Risk Assurance Committee Membership:**

The Usel Audit and Risk Assurance Committee comprises all the Company's Board members, with the exception of the Chair of the Board. The Board members are all independently appointed which ensures a high degree of segregation between the organisation and the Committee governance and challenge function. The members are supported by the Chief Executive and the Company's Head of Corporate Services who attend each meeting.

While the Committee has the utmost confidence in the CEO and Head of Corporate Services, as part of our process it is now our standing protocol that the committee and auditor will meet once per year in the absence of the Chief Executive and Head of Corporate Services. This is to facilitate any direct feedback from the auditor, the NIAO, our internal auditors, and the sponsoring branch departmental representative on any matters which may be compromised due to the attendance of the Senior Management Team.

### **Terms of Reference:**

The Audit and Risk Assurance Committee advise the Accounting Officer and Board on:

- the strategic processes for risk, control and governance and the Governance Statement;
- the accounting policies, the accounts, and the annual report of the organisation, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the External Auditors;
- the planned activity and results of both Internal and External Audit;
- adequacy of management response to issues identified by audit activity, including External Audit's management letter;
- assurances relating to the management of risk and corporate governance requirements for the organisation;
- (where appropriate) proposals for tendering for either Internal or External Audit services;
- anti-fraud policies, whistle-blowing processes, and arrangements for special investigations; and
- the Audit and Risk Assurance Committee will also periodically review its own effectiveness and report the results of that review to the Board.

**Committee Meetings:**

The Audit and Risk Assurance Committee generally meets on the same day, and just prior to, the main Board meeting. The Committee met on four occasions in the year to carry out the functions as described under the Terms of Reference. Attendance at these meetings is disclosed on page 23.

**Internal Audit Report:**

I would like to thank RSM McClure Watters who have continued to carry out our internal audit function into the final year of the contract with due diligence, probity and objectivity.

The Chief Executive and Head of Corporate Services met the internal auditor at the start of the reporting year and agreed a schedule of works for the forthcoming year. This was ratified by the Audit and Risk Assurance Committee and the schedule was approved at the October 2018 Audit and Risk Assurance Committee meeting.

The internal audit programme for this year included:

Area Reviewed	Low	Medium	High	Total Recommendations
Policies and procedures	1	-	-	1
IT Security, Business Continuity Plan (BCP) and Disaster Recovery (DR)	-	2	-	2
Human Resources	3	-	-	3
Safeguarding	-	-	-	-
Gifts and Hospitality	-	-	-	-
<b>Total</b>	<b>4</b>	<b>2</b>	<b>-</b>	<b>6</b>

The overall audit opinion was Satisfactory Assurance over the system of internal control within Usel.

**Risk Management & Fraud Awareness:**

The Senior Management Team is tasked with reporting any frauds or suspected frauds to the Board and Audit and Risk Assurance Committee and I can confirm that no such reports were applicable during the 2018-19 financial year.

The risk register is continuously updated and the Audit and Risk Assurance Committee reviewed and referenced the register prior to and during each meeting, specifically setting aside time to carry out a full end-to-end review at least once during the year. The Board receives a monthly update on the core risks which face the Company.

**Losses and Special Payments (Audited Information):**

There were no losses in 2018-19 (2017-18: £nil).

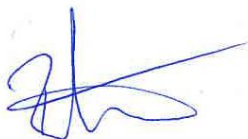
Special Payments

	<b>2018-19</b>	<b>2017-18</b>
Total number of special payments	-	1
Total value of special payments	£nil	£21,000

**Conflicts of interest:**

At each meeting the members are invited to declare any known information which could pose a conflict of interest. No such interests were declared during 2018-19. With the ongoing publication of our Directors' interests, and any potential conflicts of interest, the wider risk of any challenge to integrity is mitigated.

I would like to conclude by once again acknowledging the input from the Chief Executive and the Head of Corporate Services, for maintaining a high standard of information flow to the Committee and the proactive approach shown in ensuring the organisation maintains the high standard of governance we have achieved.



**Bill Atkinson**  
**Chief Executive and Accounting Officer**  
**24 July 2019**

## **Ulster Supported Employment Limited**

### **THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY**

#### **Opinion on financial statements**

I certify that I have audited the financial statements of the Ulster Supported Employment Limited for the year ended 31 March 2019 under the Companies (Public Sector Audit) Order (Northern Ireland) 2013. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union. I have also audited the information in Accountability Report that is described as having been audited.

In my opinion the financial statements:

- give a true and fair view of the state of Ulster Supported Employment Limited's affairs as at 31 March 2019 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the Companies Act 2006.

#### **Opinion on regularity**

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

#### **Basis of opinions**

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of this certificate. My staff and I are independent of Ulster Supported Employment Limited in accordance with the ethical requirements of the Financial Reporting Council's Revised Ethical Standard 2016, and have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinions.

#### **Other Information**

The directors and Accounting Officer are responsible for the other information included in the annual report. The other information comprises the information included in the annual report other than the financial statements, the parts of the Accountability Report described in the report as having been audited, and my audit certificate and report. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that

fact. I have nothing to report in this regard.

### **Opinion on other matters**

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance the Government Financial Reporting Manual; and
- the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Responsibilities of the directors and Accounting Officer for the financial statements**

As explained more fully in the Statement of Directors' and Accounting Officer Responsibilities, the directors and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

### **Auditor's responsibilities for the audit of the financial statements**

My responsibility is to audit, certify and report on the financial statements in accordance with the Companies (Public Sector Audit) Order (Northern Ireland) 2013.

I am required to obtain 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

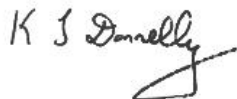
### **Matters on which I report by exception**

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with the Department of Finance's guidance.

**Report**

I have no observations to make on these financial statements.

A handwritten signature in black ink, appearing to read 'K J Donnelly', with a stylized flourish at the end.

*K J Donnelly  
Comptroller and Auditor General  
Northern Ireland Audit Office  
106 University Street  
Belfast  
BT7 1EU*

*9 August 2019*

**Statement of Comprehensive Net Expenditure  
for the year ended 31 March 2019**

	Note	2019 £	2018 £
Income from sale of goods and services	3	7,385,561	6,844,526
Other operating income		5,250	67,855
<b>Total operating income</b>		<b>7,390,811</b>	<b>6,912,381</b>
Staff costs	4	(6,795,937)	(6,340,987)
Depreciation and amortisation	10	(63,515)	(55,792)
Other operating expenditure	5	(1,747,850)	(1,300,414)
<b>Total operating expenditure</b>		<b>(8,607,302)</b>	<b>(7,697,193)</b>
<b>Net Operating Expenditure</b>		<b>(1,216,491)</b>	<b>(784,812)</b>
Pension finance costs	7	(169,000)	(201,000)
Pension administrative expenses	20	(90,000)	(90,000)
Finance income	6	1,118	859
<b>Net Expenditure for the year</b>		<b>(1,474,373)</b>	<b>(1,074,953)</b>
<b>Other Comprehensive Net Expenditure</b>			
<i>Items that will not be reclassified to net operating costs:</i>			
Actuarial gain/(loss) on pension scheme liabilities	20	1,260,000	2,068,000
Net gain on revaluation of Property Plant and Equipment	10,11	90,300	136,800
<b>Comprehensive Net (Expenditure)/Income for the year</b>		<b>(124,073)</b>	<b>1,129,847</b>

The notes on pages 44 to 66 form part of these financial statements.



## Statement of Financial Position as at 31 March 2019

	Note	2019 £	2018 £
<b>Non-current assets</b>			
Property, plant and equipment	10	1,959,849	1,684,641
Intangible assets	10	1,799	2,453
Investment property	11	-	100,000
<b>Total non-current assets</b>		<b>1,961,648</b>	<b>1,787,094</b>
<b>Current assets</b>			
Inventories	12	203,691	281,898
Trade and other receivables	13	1,010,349	932,358
Cash and cash equivalents	14	636,670	335,402
<b>Total current assets</b>		<b>1,850,710</b>	<b>1,549,658</b>
<b>Total assets</b>		<b>3,812,358</b>	<b>3,336,752</b>
<b>Current liabilities</b>			
Trade and other payables	15a	(1,193,653)	(970,431)
Loan from the Department	15b	(799,687)	(2,337,687)
<b>Total assets less current liabilities</b>		<b>1,819,018</b>	<b>28,634</b>
<b>Non-current liabilities</b>			
Trade and other payables	15a	(13,000)	-
Pension liabilities	20	(5,247,000)	(5,933,000)
<b>Total assets less total liabilities</b>		<b>(3,440,982)</b>	<b>(5,904,366)</b>
<b>Taxpayers' equity and other reserves</b>			
General reserve		(4,000,082)	(6,373,166)
Revaluation reserve		559,100	468,800
<b>Total equity</b>		<b>(3,440,982)</b>	<b>(5,904,366)</b>

In the view of the Board an exemption from the audit requirements of Part 16 of the Companies Act 2006 is available under section 482 of that Act, since the Company meets the Department of Finance's definition of a non-profit-making Company and is subject to a public sector audit under the Companies (Public Sector Audit) Order (Northern Ireland) 2013, being an order issued under Article 5(3) of the Audit and Accountability (Northern Ireland) Order 2003. The Board therefore claims this exemption.

The financial statements on pages 40 to 66 were approved by the Board on 24 July 2019 and were signed on its behalf



by:



<b>J Perry</b>	<b>Date</b>	<b>B Atkinson</b>	<b>Date</b>
Chairman	24 July 2019	Accounting Officer	24 July 2019

Registration No. NI 005192

The notes on pages 44 to 66 form part of these financial statements.

**Statement of Cash Flows  
for the year ended 31 March 2019**

	Note	2019 £	2018 £
<b>Cash flows from operating activities</b>			
Net Operating Cost after interest		(1,474,373)	(1,074,953)
Adjustments for non-cash transactions			
Depreciation and amortisation	10	63,515	55,792
Pension interest and administrative expenses		259,000	291,000
Difference between pension charge and cash contributions		315,000	(32,000)
(Increase) / decrease in inventories	12	78,207	(75,815)
(Increase) / decrease in trade and other receivables	13	(77,991)	(245,429)
Increase / (decrease) in trade and other payables	15a	236,221	68,907
<b>Net cash outflow from operating activities</b>		<b>(600,421)</b>	<b>(1,012,498)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	(147,768)	(20,000)
Purchase of intangible assets	10	-	-
<b>Net cash outflows from investing activities</b>		<b>(147,768)</b>	<b>(20,000)</b>
<b>Cash flows from financing activities</b>			
Grant from sponsoring department		1,049,457	982,749
<b>Net financing</b>		<b>1,049,457</b>	<b>982,749</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period</b>	14	<b>301,268</b>	<b>(49,749)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>335,402</b>	<b>385,151</b>
<b>Cash and cash equivalents at the end of the year</b>	14	<b>636,670</b>	<b>335,402</b>

The notes on pages 44 to 66 form part of these financial statements.

**Statement of Changes in Taxpayers' Equity  
for the year ended 31 March 2019**

	<b>General Fund</b>	<b>General Reserve</b>	<b>Total General Reserve</b>	<b>Revaluation Reserve</b>	<b>Total Reserves</b>
	<b>£</b>	<b>£</b>		<b>£</b>	<b>£</b>
<b>Balance at 1 April 2017</b>	(8,348,962)	-	<b>(8,348,962)</b>	332,000	<b>(8,016,962)</b>
IAS 19 actuarial gain	2,068,000	-	<b>2,068,000</b>	-	<b>2,068,000</b>
Transfer between reserves	-	-	-	-	-
Grant from sponsoring department	982,749	-	<b>982,749</b>	-	<b>982,749</b>
Revaluation of property	-	-	-	136,800	<b>136,800</b>
Comprehensive Net Expenditure for the year	(1,074,953)	-	<b>(1,074,953)</b>	-	<b>(1,074,953)</b>
<b>Balance at 31 March 2018</b>	<b>(6,373,166)</b>	-	<b>(6,373,166)</b>	<b>468,800</b>	<b>(5,904,366)</b>

	<b>General Fund</b>	<b>General Reserve</b>	<b>Total General Reserve</b>	<b>Revaluation Reserve</b>	<b>Total Reserves</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Balance at 1 April 2018</b>	(6,373,166)	-	<b>(6,373,166)</b>	468,800	<b>(5,904,366)</b>
IAS 19 actuarial gain	1,260,000	-	<b>1,260,000</b>	-	<b>1,260,000</b>
Transfer between reserves	-	-	-	-	-
Grant from sponsoring department	1,049,457	-	<b>1,049,457</b>	-	<b>1,049,457</b>
DfC loan write-off	1,538,000	-	<b>1,538,000</b>	-	<b>1,538,000</b>
Revaluation of property	-	-	-	90,300	<b>90,300</b>
Comprehensive Net Expenditure for the year	(1,474,373)	-	<b>(1,474,373)</b>	-	<b>(1,474,373)</b>
<b>Balance at 31 March 2019</b>	<b>(4,000,082)</b>	-	<b>(4,000,082)</b>	<b>559,100</b>	<b>(3,440,982)</b>

The notes on pages 44 to 66 form part of these financial statements.

## Notes to the financial statements for the year ended 31 March 2019

### 1. Statement of accounting policies

Usel (“the Company”) is a company limited by guarantee, domiciled and registered in the United Kingdom. The registered number is NI005192 and the registered address is 182-188 Cambrai Street, Belfast, BT13 3JH.

These financial statements have been prepared in accordance with the 2018-19 Government Financial Reporting Manual (FReM) issued by the Department of Finance NI. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of Usel for the purpose of giving a true and fair view has been selected. The particular policies adopted by Usel are described below. They have been applied consistently in dealing with items that are considered material to the financial statements. The financial statements are prepared in accordance with the accounting and disclosure requirements of the Companies Act 2006.

Financial figures reported in these financial statements are in pounds sterling except for note 20 which are in thousand pounds sterling.

#### 1.1 Newly adopted standards

The following standards were effective for the Company for the first time from 1 April 2018 and have been adopted in these financial statements:

- IFRS 9: *Financial instruments*
- IFRS 15: *Revenue from contracts with customers*

Their impact on the Company’s financial statements is discussed below.

##### *IFRS 9: Financial instruments*

IFRS 9 replaced the previous guidance in IAS 39 Financial instruments: recognition and measurement. IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Company has assessed the impact from the application of IFRS 9 on its financial statements and concluded that the vast majority of financial assets held are trade receivables, other receivables and cash, all of which continue to be accounted for at amortised cost. The Company has not designated any financial liabilities as fair value through profit and loss. As a result, the classification and measurement changes have not had a material impact on the Company’s financial statements, and comparatives have not been restated for the impact of IFRS 9.

##### *IFRS 15: Revenue from contracts with customers*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised, replacing the previous guidance in IAS 18 Revenue.

## 1. Statement of accounting policies (continued)

### 1.1 Newly adopted standards (continued)

The Company has undertaken an assessment of each revenue stream and is satisfied that performance obligations are satisfied at the point of sale or transfer of service to a customer. Accordingly, the effect of applying IFRS 15 has not resulted in any reclassifications between revenue and cost of sales, and there has been no material impact to the financial statements in the current or prior year.

Given the limited number of revenue streams generated by the Company and the assessment carried out by the management, the adoption of IFRS 15 has not had a material impact on revenue recognition; and comparatives have not been restated.

### 1.2 Measurement convention

These financial statements have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and donated assets.

### 1.3 Going concern

Despite the deficit in the Statement of Financial Position arising from the IAS 19 defined benefit pension liability and DfC loan, these financial statements have been prepared on the going concern basis because the benefit re-design review referred to in the Chair's Foreword is expected, when implemented, to see a reduction in the net pension liability and cash contributions going forward. Confirmation has also been received from the Department that it is reasonable for Usel to assume that Grant-in-Aid funding will continue to be provided to at least 2021-22 and that presently there is no intention to call down the outstanding loan balance of £799,687 for repayment.

### 1.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, with the exception of land and buildings which are stated at fair value.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the statement of profit and loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Long leasehold buildings	-	50 years
Leasehold improvements	-	10 years
Plant and office equipment	-	10 years
Information technology	-	5 years
Motor vehicles	-	4 to 15 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

## **1. Statement of accounting policies (continued)**

### **1.4 Property, plant and equipment (continued)**

Non-Current Assets are capitalised if they are capable of being used for a period which exceeds one year, and they individually cost at least £1,000. We do not capitalise the criteria of a grouped asset i.e. collectively have a cost of at least £1,000 and are functionally interdependent.

Long leasehold buildings are stated at open market value and other non-current assets are stated at net current replacement cost. Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Land and buildings are revalued by qualified valuers on a regular basis using open market value (which reflects a highest and best use basis) so that the carrying value of an asset does not materially differ from its fair value at the reporting date. External revaluations of the group's land and buildings have been carried out in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation Standards and IFRS 13.

Surpluses on revaluation are recognised in the Statement of Net Comprehensive Expenditure (SoCNE) and accumulated in equity in the revaluation reserve, except to the extent that they reverse impairment losses previously charged to profit or loss, in which case the reversal is recorded in profit or loss. Decreases in value are charged against SoCNE and the revaluation reserve to the extent that a previous gain has been recorded there, and thereafter are charged through profit or loss.

### **1.5 Donated assets**

Donated fixed assets are capitalised at their fair value on receipt and this value is credited to the SoCNE.

Donated fixed assets are valued and depreciated in line with property, plant and equipment. Gains and losses on revaluations are also taken to the SoCNE and, each year, an amount equal to the depreciation charge on the asset is released from the donated asset charged to the SoCNE. Any impairment on donated assets is charged to the SoCNE.

### **1.6 Intangible assets**

Intangible assets comprise software licenses which are stated at net current replacement cost. Intangible assets are amortised on a straight-line basis over 5 years.

### **1.7 Investment property**

Investment property held for rental income is stated at fair value and independently valued by Land and Property Services on an annual basis.

## 1. Statement of accounting policies (continued)

### 1.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost comprises direct materials, direct labour and, if appropriate, direct overheads.

### 1.9 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than investment property and inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### 1.10 Employee benefits

#### *Defined contribution plan*

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

#### *Defined benefit plan*

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets are deducted. The Company determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the

## 1. Statement of accounting policies (continued)

### 1.10 Employee benefits (continued)

defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

The Company operates a defined benefit scheme for its past and present employees. The fund is valued every three years by a professionally qualified independent actuary, the rates of contribution being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the Company benefits from the employees' services.

The increase in the present value of the liabilities of the Company's defined benefit pension scheme arising from employee service in the period is charged to the Statement of Comprehensive Net Expenditure. 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 passage of time are included in pension finance costs and pension administrative expenses in the Statement of Comprehensive Net Expenditure. Actuarial gains and losses are recognised in Other Comprehensive Income.

### 1.11 Financial Instruments

Usel does not hold any complex financial instruments.

#### (i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

#### (ii) Classification and subsequent measurement

##### Financial assets

##### *(a) Classification*

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – equity investment or debt investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and



## 1. Statement of accounting policies (continued)

### 1.11 Financial Instruments (continued)

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL.

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

#### *(b) Subsequent measurement and gains and losses*

*Financial assets at FVTPL* - these assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

*Financial assets at amortised cost* - these assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

#### *Financial liabilities*

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

#### **(iii) Impairment**

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The Company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

## 1. Statement of accounting policies (continued)

### 1.11 Financial Instruments (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward-looking information.

#### *Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

#### *Credit-impaired financial assets*

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

#### *Write-offs*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

### 1.12 Leases

The Company has operating leases and no finance leases. Lease rentals payable are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the term of the lease.

### 1.13 Recognition of income

#### *Grant in Aid*

All grant-in-aid, whether for revenue or capital purposes, is treated as contributions from controlling parties giving rise to financial interest in the residual interest of Usel and is credited to the SoCNE Reserve. Grant-in-aid is recognised in the financial period in which the funding is received.

#### *Income from activities*

Income from activities relates to the operating activities of Usel, the sale of goods and services and other income. Income from fees and charges and from the sale of goods and services is recognised in the period in which fees are incurred or services are provided.

Income and expenditure excludes VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

## 1. Statement of accounting policies (continued)

### 1.14 Reserves

The General Fund represents the accumulated financial position of Usel.

The Revaluation Reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments to PPE and intangible assets.

### 1.15 Taxation Status

The Company has been granted exemption from Corporation Tax on the basis that it is a not-for-profit organisation.

### 1.16 Critical accounting estimates

The Company prepares its financial statements in accordance with FReM, the application of which often requires judgements to be made by management when formulating the Company's financial position and results. Under IFRS, the directors are required to adopt those accounting policies most appropriate to the Company's circumstances for the purpose of presenting fairly the Company's financial position, financial performance and cash flows.

In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the reported results or net asset position of the Company should it later be determined that a different choice would be more appropriate.

Management considers the accounting estimate and assumptions discussed below to be its critical accounting estimates and, accordingly, provides an explanation. Management has discussed its critical accounting estimates and associated disclosures with the Company's Audit and Risk Assurance Committee.

**Pension liability:** The Company has a commitment to pay pension benefits to approximately 450 people. The cost of these benefits and the present value of pension liabilities depend on such factors as the life expectancy of the members, the salary progression of current employees, the return that the pension fund assets will generate in the time before they are used to fund the pension payments, price inflation and the discount rate used to calculate the net present value of the future pension payments. We use estimates provided by independent experts for all of these factors in determining the pension costs and liabilities incorporated in our financial statements. The assumptions reflect historical experience and judgement regarding future expectations.

The value of the net pension obligation at 31 March 2019 and the key financial assumptions used to measure the obligation are disclosed in note 20.

### 1.17 Adopted IFRS not yet applied

#### *IFRS 16: Leases*

IFRS 16 came into effect on 1 January 2019. The standard requires organisations to recognise almost all leases on the balance sheet, which will reflect their right to use an asset for a period of time and the associated liability for payments. A lease is defined as the right to control the use of an identifiable asset for a period of time in exchange for consideration.

## 1. Statement of accounting policies (continued)

### 1.17 Adopted IFRS not yet applied (continued)

The new standard will gross up balance sheets and change income statement and cash flow presentation. Rent expense will be replaced by depreciation and interest expense in the income statement.

The Company has undertaken an assessment of all operating leases. As a result, in 2019-20, the following assets will be recognised on Usel's balance sheet:

- Lease for Ballymena site
- Manitou
- Photocopiers

Management is in the process of finalising their calculation as to the amount of right of use assets and related discounted liability to be recognised on transition.

## 2 Statement of Operating Costs by Operating Segment

The factory operation manufactures bedding products, industrial sewing products and contracts out some employees to carry out close circuit television monitoring on behalf of third parties. The Company does not rely on any major customer in this segment.

Employment Services operate employment programmes on behalf of the Department for Communities (DfC) and Department for Economy; these programmes are awarded through commercial tenders. In this segment the Company relies on DfC, being a major customer. The Chief Operating Decision Maker is the Chief Executive, reporting to the non-executive Board of Directors.

	<b>2018-19</b>			
	<b>Manufacturing and Recycling</b>	<b>Employment Services</b>	<b>Other</b>	<b>Total</b>
	<b>£</b>	<b>£</b>		<b>£</b>
Income	1,176,217	6,209,344	5,250	7,390,811
Gross Expenditure	(3,391,277)	(5,455,525)	(18,382)	(8,865,184)
<b>Net Expenditure</b>	<b>(2,215,060)</b>	<b>753,819</b>	<b>(13,132)</b>	<b>(1,474,373)</b>

	<b>2017-18</b>			
	<b>Manufacturing and Recycling</b>	<b>Employment Services</b>	<b>Other</b>	<b>Total</b>
	<b>£</b>	<b>£</b>		<b>£</b>
Income	944,291	5,900,235	67,855	6,912,381
Gross Expenditure	(2,667,144)	(5,319,729)	(461)	(7,987,334)
<b>Net Expenditure</b>	<b>(1,722,853)</b>	<b>580,506</b>	<b>67,394</b>	<b>(1,074,953)</b>

The net assets at segment level are not separately reported to the Chief Operating Decision Maker and therefore have not been disclosed above.

**3 Income**

	<b>2018-19</b>	<b>2017-18</b>
	<b>£</b>	<b>£</b>
Trading income	1,197,278	904,576
Contract services	33,627	39,715
Employment support	874,195	980,835
Contract income	5,280,461	4,901,357
Training income	-	18,043
	<b><u>7,385,561</u></b>	<b><u>6,844,526</u></b>

All sales are within the United Kingdom and Republic of Ireland.

**4 Staff costs**

	<b>2018-19</b>	<b>2017-18</b>
	<b>£</b>	<b>£</b>
Wages and salaries	5,504,290	5,272,011
Redundancy payments	194,423	297,087
Social security costs	316,516	299,267
Other pension costs	780,708	472,622
	<b><u>6,795,937</u></b>	<b><u>6,340,987</u></b>

The above balance includes £3,203,395 (2017-18: £3,400,375) of staff costs relating to 276 (2017-18: 305) participants on the Employment Support programme as at 31 March 2019.

## 5 Other operating expenditure

	2018-19	2017-18
	£	£
Materials	426,056	325,451
TFS Disability Support	175,200	13,706
Insurance	119,424	90,248
General expenses	117,320	79,441
Travel	111,773	86,896
Repairs	91,262	48,413
Legal and professional fees	82,707	53,119
Waste Disposal	72,203	56,439
Payments to hosts and sub-contractors	64,440	198,007
Computer expenses	60,363	32,173
Light, heat and power	55,522	40,608
TFS Programme	50,700	17,320
Advertising	49,005	28,051
Motor expenses	44,643	40,457
Rent and rates	38,829	28,818
Ability Café	36,788	-
Tutors	27,791	20,845
Telephone	21,730	18,806
Training	21,516	26,785
Participant Costs	20,071	41,632
Audit - external audit	16,300	16,000
Printing and stationery	12,529	12,115
Tools	11,456	9,743
Canteen	10,899	9,735
Audit - internal audit	4,744	4,165
Discount allowed	1,591	1,320
Postage	1,367	3,304
Bank charges	1,093	2,018
Packing	8	-
	<b>1,747,330</b>	<b>1,305,615</b>
<b>Non-cash costs</b>		
Bad debts written off	1,295	(2,888)
Profit on Disposal	(600)	-
Stock Provision	(175)	(2,313)
	<b>520</b>	<b>(5,201)</b>
<b>Total</b>	<b>1,747,850</b>	<b>1,300,414</b>

**6 Finance income**

	<b>2018-19</b>	<b>2017-18</b>
	<b>£</b>	<b>£</b>
Bank interest receivable	1,118	859
	<u><b>1,118</b></u>	<u><b>859</b></u>

**7 Pension Finance Costs**

	<b>2018-19</b>	<b>2017-18</b>
	<b>£</b>	<b>£</b>
Expected return on pension scheme assets	554,000	503,000
Interest on pension scheme liabilities	(723,000)	(704,000)
	<u><b>(169,000)</b></u>	<u><b>(201,000)</b></u>

**8 Financial Instruments**

As some of the cash requirements of Usel are met through Grant-in-aid provided by DfC, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body.

The majority of financial instruments relate to contracts to buy non-financial items in line with Usel's expected purchase and usage requirements and Usel is therefore exposed to little credit, liquidity or market risk.

Details of pension liabilities are included within note 20 below.

**9 Auditor remuneration**

	<b>2018-19</b>	<b>2017-18</b>
	<b>£</b>	<b>£</b>
Internal Audit	4,744	4,165
External Audit	16,300	16,000

## 10 a Property, plant and equipment

	Long Leasehold Buildings	Plant and Office Equipment	Motor Vehicles	Donated Assets	Total
	£	£	£	£	£
<b>Cost or Valuation</b>					
At 1 April 2018	1,440,000	781,587	130,987	20,000	2,372,574
Additions	-	48,298	99,470	-	147,768
Disposals	-	-	(43,739)	-	(43,739)
Transfer from investment property	100,000	-	-	-	100,000
Revaluations	60,000	-	-	-	60,000
<b>At 31 March 2019</b>	<b>1,600,000</b>	<b>829,885</b>	<b>186,718</b>	<b>20,000</b>	<b>2,636,603</b>
<b>Depreciation</b>					
At 1 April 2018	-	636,571	50,041	1,320	687,932
Charged in the year	30,300	23,639	6,922	2,000	62,861
Disposals	-	-	(43,739)	-	(43,739)
Revaluations	(30,300)	-	-	-	(30,300)
<b>At 31 March 2019</b>	<b>-</b>	<b>660,210</b>	<b>13,224</b>	<b>3,320</b>	<b>676,754</b>
<b>Net book value</b>					
<b>At 31 March 2019</b>	<b>1,600,000</b>	<b>169,675</b>	<b>173,494</b>	<b>16,680</b>	<b>1,959,849</b>
At 31 March 2018	1,440,000	145,016	80,946	18,680	1,684,641

The Company's long leasehold buildings were revalued at 31 March 2019 on the basis of open market value for existing use by Land & Property Services, Belfast. The valuations were prepared in accordance with the Royal Institution of Chartered Surveyors' Valuation Standards, Global and UK (8th Edition). The Net Book Value of the Long Leasehold Buildings would have been £1,509,700 (2018: £1,313,200) had the Cost Model been used. Plant and office equipment are revalued using indices published by the Office of National Statistics, but no revaluation has been included as the amounts are immaterial.



## 10.b Property, plant and equipment

	Long Leasehold Buildings	Plant and Office Equipment	Motor Vehicles	Donated Assets	Total
	£	£	£	£	£
<b>Cost or Valuation</b>					
At 1 April 2017	1,340,000	781,587	130,987	-	2,252,574
Additions	-	-	-	20,000	20,000
Disposals	-	-	-	-	-
Revaluations	100,000	-	-	-	100,000
<b>At 31 March 2018</b>	<b>1,440,000</b>	<b>781,587</b>	<b>130,987</b>	<b>20,000</b>	<b>2,372,574</b>
<b>Depreciation</b>					
At 1 April 2017	-	615,371	44,224	-	659,595
Charged in the year	26,800	21,200	5,816	1,320	55,138
Disposals	-	-	-	-	-
Revaluations	(26,800)	-	-	-	(26,800)
<b>At 31 March 2018</b>	<b>-</b>	<b>636,571</b>	<b>50,041</b>	<b>1,320</b>	<b>687,933</b>
<b>Net book value</b>					
<b>At 31 March 2018</b>	<b>1,440,000</b>	<b>145,016</b>	<b>80,946</b>	<b>18,680</b>	<b>1,684,641</b>
At 31 March 2017	1,340,000	166,216	86,763	-	1,592,979

**10.c Intangible assets**

	<b>Software Licences</b>
	<b>£</b>
<b>Cost or Valuation</b>	
At 1 April 2018	55,247
Additions	-
<b>At 31 March 2019</b>	<u><b>55,247</b></u>
<b>Amortisation</b>	
At 1 April 2018	52,794
Charged in the year	654
<b>At 31 March 2019</b>	<u><b>53,448</b></u>
<b>Net book value</b>	
<b>At 31 March 2019</b>	<u><b>1,799</b></u>
At 31 March 2018	<u>2,453</u>

**10.d Intangible assets**

	<b>Software Licences</b>
	<b>£</b>
<b>Cost or Valuation</b>	
At 1 April 2017	55,247
Additions	-
<b>At 31 March 2018</b>	<u><b>55,247</b></u>
<b>Amortisation</b>	
At 1 April 2017	52,140
Charged in the year	654
<b>At 31 March 2018</b>	<u><b>52,794</b></u>
<b>Net book value</b>	
<b>At 31 March 2018</b>	<u><b>2,453</b></u>
At 31 March 2017	<u>3,107</u>

## 11. Investment Property

Investment property comprised part of the building at Cambrai Street, Belfast, previously leased to tenants for a commercial rent.

	<b>2018-19</b>	<b>2017-18</b>
	<b>£</b>	<b>£</b>
At 1 April 2018	100,000	90,000
Change in fair value	-	10,000
Transfer to PPE	(100,000)	-
At 31 March 2019	<u>-</u>	<u><b>100,000</b></u>

Rental Income of £3,000 (2017-18: £11,500) was generated from investment property during the year.

## 12. Inventories

	<b>2018-19</b>	<b>2017-18</b>
	<b>£</b>	<b>£</b>
Raw materials	152,249	157,928
Work in progress	6,456	10,021
Finished goods	44,986	113,949
	<u><b>203,691</b></u>	<u><b>281,898</b></u>

Raw materials, consumables, changes in finished goods and work in progress recognised as cost of sales in the year amounted to £426,056 (2017-18: £325,451).

The write down of stock to net realisable value amounted to £13,835 (2017-18: £22,931). The reversal of write downs amounted to £14,010 (2017-18: £25,245). All write downs were due to obsolescence.

## 13. Trade and other receivables

	<b>2018-19</b>	<b>2017-18</b>
	<b>£</b>	<b>£</b>
Trade receivables	364,172	365,564
Other receivables	177,690	205,452
Prepayments and accrued income	468,487	361,342
	<u><b>1,010,349</b></u>	<u><b>932,358</b></u>

All receivables fall due within one year.

**14. Cash and cash equivalents**

	<b>2018-19</b>	<b>2017-18</b>
	<b>£</b>	<b>£</b>
Balance at 1 April	335,402	385,151
Net change in cash and cash equivalents	301,268	(49,749)
<b>Balance at 31 March</b>	<b>636,670</b>	<b>335,402</b>

**The following balances at 31 March were held at:**

Commercial banks and cash in hand	636,670	527,131
Bank overdraft	-	(191,729)
<b>Balance at 31 March</b>	<b>636,670</b>	<b>335,402</b>

**15.a Trade and other payables**

	<b>2018-19</b>	<b>2017-18</b>
	<b>£</b>	<b>£</b>
<b>Amounts falling due within one year:</b>		
Trade payables	219,357	189,791
VAT	95,138	73,492
Other taxation and social security	68,894	99,785
Other payables	250,026	120,172
Accruals and deferred income	560,238	487,191
	<b>1,193,653</b>	<b>970,431</b>
<b>Amounts falling due after more than one year:</b>		
	<b>£</b>	<b>£</b>
Other payables	13,000	-
	<b>13,000</b>	<b>-</b>

**15.b. Loans from the Department**

	<b>2018-19</b>	<b>2017-18</b>
	<b>£</b>	<b>£</b>
Loan from DfC	799,687	2,337,687

The 'loan' advanced by the Department for Communities is secured by a charge on the Company's undertakings and all its property both present and future under a debenture dated 2 May 2001. There is no repayment date and no interest accrues on this loan.

During 2018-19, the Department of Finance authorised the Department for Communities to write off £1,538,000 of the £2,337,687 loan outstanding.

**16. Members' liability**

Each member of the Company is liable to contribute, in the case of a winding up, a sum not exceeding £1. There were 6 members at the Statement of Financial Position date.

**17. Capital commitments**

The Company had no contracted capital commitments at 31 March 2018 or 31 March 2019, not otherwise included in these financial statements.

**18. Commitments under leases**

At 31 March 2019 the Company had annual commitments under non-cancellable operating leases. Total future minimum lease payments under operating leases are given in the table below for each of the following periods:

	<b>2018-19</b>	<b>2017-18</b>
	£	£
<b>Buildings</b>		
Not later than one year	67,150	20,280
Later than one year and not later than five years	234,000	-
Later than five years	277,875	-
	<b>579,025</b>	<b>20,280</b>
<b>Other</b>		
Not later than one year	15,192	-
Later than one year and not later than five years	28,764	-
Later than five years	-	-
	<b>43,956</b>	<b>-</b>

£43,067 (2018: £24,045) was included as an operating lease expense in the Statement of Comprehensive Net Expenditure.

**19. Financial performance targets**

The Department for Communities does not consider it appropriate to set financial targets for Usel.

**20. Pension fund**

The Company operates a defined benefit pension for its employees. The assets of the scheme are held separately from those of the Company. Contributions to the scheme are charged to the Statement of Comprehensive Net Expenditure so as to spread the cost of the pension over employees' working lives with the Company at rates determined by a qualified actuary on

**20. Pension fund (continued)**

the basis of triennial valuations using the Projected Unit Method. The latest full actuarial valuation was carried out as at 5 April 2015.

Mr Jim Perry independently chairs the Board of Trustees. The Trust Board also has two members nominated by the Directors and two members nominated by the members of the Pension Scheme. Legal and General Investment Management manage the funds on behalf of the Trustees. Mercer Limited has been appointed by the Trustees to act as their Administrators and Advisors on the operation of the Scheme.

<b>Change in benefit obligation</b>	<b>2018-19</b>	<b>2017-18</b>
	<b>£'000</b>	<b>£'000</b>
Benefit obligation at beginning of year	26,569	27,825
Current service cost	426	435
Past service cost	300	-
Interest cost	723	704
Plan participants' contributions	151	179
Benefit payments from plan	(682)	(478)
Insurance premiums for risk benefits	(32)	(27)
Actuarial (gains)/losses	(935)	(2,069)
Benefit obligation at end of year	<b>26,520</b>	<b>26,569</b>

<b>Change in plan assets</b>	<b>2018-19</b>	<b>2017-18</b>
	<b>£'000</b>	<b>£'000</b>
Fair value of plan assets at beginning of year	20,636	20,083
Expected return on plan assets	554	503
Employer contribution	411	467
Member contributions	151	179
Benefits paid	(682)	(478)
Administrative expenses paid	(90)	(90)
Insurance premiums for risk benefits	(32)	(27)
Return on plan assets (excluding interest income)	325	(1)
Fair value of plan assets at end of year	<b>21,273</b>	<b>20,636</b>

**Amounts recognised in the statement of financial position**

	<b>2018-19</b>	<b>2017-18</b>
	<b>£'000</b>	<b>£'000</b>
Defined benefit obligation	(26,520)	(26,569)
Fair value of plan assets	21,273	20,636
Net liability	<b>(5,247)</b>	<b>(5,933)</b>

**20. Pension fund (continued)****Components of pension cost**

	<b>2018-19</b>	<b>2017-18</b>
	<b>£'000</b>	<b>£'000</b>
Current service cost	426	435
Past service cost	300	-
<b>Total service cost</b>	<b>726</b>	<b>435</b>
Interest cost	723	704
Interest income on plan assets	(554)	(503)
<b>Net interest cost</b>	<b>169</b>	<b>201</b>
<b>Administrative expenses</b>	<b>90</b>	<b>90</b>
Defined benefit cost included in the Statement of Net Comprehensive Expenditure	<b>985</b>	<b>726</b>
Total re-measurements included in other comprehensive income	<b>(1,260)</b>	<b>(2,068)</b>
<b>Total defined benefit cost recognised in the Statement of Comprehensive Net Expenditure</b>	<b>(275)</b>	<b>(1,342)</b>

**Net defined benefit liability reconciliation**

	<b>2018-19</b>	<b>2017-18</b>
	<b>£'000</b>	<b>£'000</b>
Net defined benefit liability	5,933	7,742
Defined benefit cost included in the Statement of Comprehensive Net Expenditure	985	726
Total re-measurements included in other comprehensive income	(1,260)	(2,068)
Employer contributions	(411)	(467)
<b>Net defined benefit liability as of end of year</b>	<b>5,247</b>	<b>5,933</b>

**20. Pension fund (continued)**

<b>Defined benefit obligation by participant status</b>	<b>2018-19 £'000</b>	<b>2017-18 £'000</b>
Actives	12,172	15,712
Vested deferreds	9,998	7,955
Retirees	4,350	2,902
	<b>26,520</b>	<b>26,569</b>

<b>Fair value of plan assets</b>	<b>2018-19 £'000</b>	<b>2017-18 £'000</b>
Cash and cash equivalents	74	36
Equity instruments	5,065	5,146
Debt instruments	10,830	10,379
Investment funds	5,304	5,075
	<b>21,273</b>	<b>20,636</b>

**Significant actuarial assumptions  
Weighted average assumptions to determine benefit  
obligations**

	<b>2018-19</b>	<b>2017-18</b>
	<b>%</b>	<b>%</b>
Discount rate	2.5	2.7
Rate of increase in salaries	2.1	3.0
Rate of pension increases	3.0	2.9
Inflation assumption - RPI	3.1	3.0
Inflation assumption - CPI	2.1	2.0

**Assumed life expectancy on retirement at age 65**

	<b>2018-19 Years</b>	<b>2017-18 Years</b>
Retiring today (member age 65)	19.7	21.3
Retiring in 20 years (member age 45 today)	21.0	23.5



**20. Pension fund (continued)****Weighted average assumptions to determine defined benefit cost**

	2018-19	2017-18
	%	%
Discount rate	2.7	2.5
Rate of increase in salaries	3.0	3.1
Rate of pension increases	2.9	3.1
Inflation assumption - RPI	3.0	3.1
Inflation assumption - CPI	2.0	2.1

<b>Sensitivity Analysis</b>	<b>2018-19</b>	<b>2017-18</b>
	<b>£'000</b>	<b>£'000</b>
<i>Present value of defined benefit obligation</i>		
Discount rate - 25 basis points	28,026	28,206
Discount rate + 25 basis points	25,120	25,055
Price inflation - 25 basis points	25,247	25,185
Price inflation + 25 basis points	27,880	28,056
Mortality assumption - 1 year	27,432	27,399
<i>Weighted average duration of defined benefit obligation (in years)</i>		
Discount rate - 25 basis points	22.1	23.9
Discount rate + 25 basis points	21.7	23.5

**Other required disclosure amounts**

The contributions expected to be paid to the plan during the next financial year amount to £411,000 (2017-18: £460,000).

**21. Contingent liabilities***Court of Appeal judgment on backdated PSNI Holiday Pay:*

On 17th June 2019 the Court of Appeal ruled in respect of the Northern Ireland Industrial Tribunal's November 2018 decision on cases taken against the PSNI on backdated Holiday Pay. It is recognised that the final detail remains to be determined by the Industrial Tribunal who will be guided by the Court of Appeal's judgement.

This is an extremely rare and complex case with a significant number of issues that still need to be resolved, including further legal advice with regards to the judgement; the scope; timescales; process of appeals and engagement with Trade Unions. The legal issues arising from this judgment and the implications for the Northern Ireland Civil Service (NICS) and wider public sector will need further consideration. The Department of Finance (DoF) is leading a piece of work across the NICS, reviewing the implications for each of the major staffing groups across the public sector.

## 21. Contingent liabilities (continued)

Until there is further clarity when this work has concluded, and based on the inherent uncertainties in the final decision that will be made, a reliable estimate cannot be provided at this stage.

## 22. Related party transactions

Usel is a Non-Departmental Public Body (NDPB) sponsored by the Department for Communities, which is regarded as a related party. During the year, Usel has had various transactions with the Department and with other entities for which the Department is regarded as the sponsoring department.

None of the Board members, members of the management staff or other related parties have undertaken any material transactions with Usel during the year.

The following balances included in Usel's accounts relate to transactions with the Department for Communities:

Department for Communities	Balance due to/(from) DfC (ES)	Retention Monies due	Loan	DfC loan write-off	Grants received
	£	£	£	£	£
31-Mar-19	180,789	-	799,687	1,538,000	1,049,457
31-Mar-18	53,835	-	2,337,687	-	982,749

During the year £180,000 was secured from the Gallaher Trust, of which the Chairman of the Board of Usel is also a Trustee. The funding was secured by way of a formal application process and will be used to fund the first three years' rental expense for the new premises in Ballymena.

## Key management personnel compensation

Key management personnel compensation amounted to £189,960 (2017-18: £292,246) for the year ended 31 March 2019. Compensation of key management includes salaries, non-cash benefits and contributions to defined benefit / defined contribution pension plans.

## 23. Events after the reporting date

There were no events after the reporting date which would require adjustment to the financial statements.

The Accounting Officer authorised these financial statements for issue on 24 July 2019.

**Appendix 1**

**Schedule 1**

**Application of the Accounting and Disclosure Requirements of the Companies Act 2006 and Accounting Standards**

**Companies Act 2006**

- 1 The disclosure exemptions permitted by the Companies Act 2006 shall not apply to Ulster Supported Employment Limited unless specifically approved by Department of Finance (DoF);
- 2 The Companies Act 2006 requires certain information to be disclosed in the Directors' Report. To the extent that it is appropriate, the information relating to Ulster Supported Employment Limited shall be contained in the Foreword;
- 3 When preparing its income and expenditure account, Ulster Supported Employment Limited shall have regard to the profit and loss account format prescribed in the Companies Act 2006;
- 4 When preparing its Statement of Financial Position, Ulster Supported Employment Limited shall have regard to Statement of Financial Position format prescribed in the Companies Act 2006. The Statement of Financial Position totals shall be struck at "Total assets less current liabilities";
- 5 The Foreword and Statement of Financial Position shall be signed by the Accounting Officer and dated.

**Schedule 2**

**Additional disclosure requirements**

- 1 The foreword shall, inter alia:
  - (a) state that the financial statements have been prepared in a form directed by the Department for Communities with the consent of DoF; and
  - (b) include a brief history of Ulster Supported Employment Limited and its statutory background.
- 2 The notes to the financial statements shall include details of the key corporate financial targets set by the Department together with the performance achieved.