

**Registered No. NI 005192**

**Ulster Supported Employment Limited  
Annual Report and Accounts  
for the year ended 31 March 2018**

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## Directors and advisers

### Directors

Jim Perry (Chairman)	Appointed 1 August 2012
Gavin Adams	Appointed 16 April 2012
Aidan Bennett (Audit and Risk Assurance Committee Chair)	Appointed 16 April 2012
Trevor Hinds	Appointed 2 January 2013
Donald MacKay	Appointed 15 March 2013
Carol Magill	Appointed 1 January 2017

### Chief Executive and Accounting Officer

B Atkinson (appointed 4 January 2016)

### Secretary

SJ Mowbray (appointed 19 December 2016)  
D Macedo (retired 19 December 2016)

### 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 auditors

Comptroller & Auditor General  
Northern Ireland Audit Office  
106 University Street  
Belfast  
BT7 1EU

## Foreword by Board's Chairman

During the current Corporate Planning period Usel has been developing its business in terms of five key strategic areas and the Board is delighted by the significant progress which has been made in each of these areas during the past year.

In terms of *Social Entrepreneurship*, our circular economy activity has continued to grow and a number of important contracts have been secured. Usel is the first public sector organisation to sign a Prosperity Agreement with the Northern Ireland Environment Agency and at the international Green Apple environmental awards in November 2017 we received a World Recognition Award.

With regard to *Business planning for a growth agenda* the organisation has achieved an 18% increase in bed production during the year and an additional 10,000 mattresses have been recycled. Increased Employment Services activity has resulted in a significant growth in the number of programme participants. In all of its activities Usel has a clear commercial focus which is consistent with our Social Enterprise model.

Our commitment to *Developing as a learning organisation* has resulted in the design of a new Learning and Development Strategy including training in change management. Results from our regular staff satisfaction surveys are used to guide our ongoing strategic approach.

We are committed to *Stakeholder engagement* and we have been developing a clear, measurable external communication strategy. A social impact assessment was undertaken during the year which demonstrated that for every £1 invested in Usel there is a social return of almost £10.

The Board continues to recognise the importance of *Good Governance* in all aspects of Usel's activity. The organisation was pleased to work closely with the Department for Communities in the completion of a wide-ranging governance review of the organisation. The Board has agreed to implement all the recommendations made. This will further strengthen the level of assurance across a range of governance areas. The Board recognises the ongoing support received from Departmental officials in assisting Usel to achieve its goals.

The Risk Register is kept under review by the Audit and Risk Assurance Committee and is considered at each Board meeting. As part of its governance responsibilities, the Board, in its role as Management Entity of the Usel Retirement and Death Benefits Scheme, has been undertaking a review of pension scheme arrangements and future benefit re-design options over the last year. Once this exercise is completed and the necessary approvals for 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.

This has been a successful, if challenging, year for Usel. The Board would pay tribute to the leadership shown by the Chief Executive and the senior management team to ensure that the organisation remains well positioned to take full advantage of emerging business opportunities. Our staff have demonstrated enormous commitment to achieving our key business outcomes.

As Usel continues to 'champion ability' we will seek opportunities for growth in order to achieve meaningful outcomes for everyone who works for us and who works with us.



**James Perry**  
Chairman  
27 June 2018



**Bill Atkinson**  
Accounting Officer  
27 June 2018

## **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 36. Net expenditure for the year was £1,074,953 (2016-17: £668,218). 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 pension liability and the loan from the Department secured on the Cambrai Street site. The 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 been received from the Department that it is reasonable for Usel to assume that Grant-in-Aid funding will continue to be provided. The Department has also confirmed that presently there is no intention to call down the outstanding loan balance of £2,337,687.

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**

A full review of Usel's activities is given on pages 8 – 12.

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. Approximately 85% of employees working in this Department 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.

Usel's factory shop on Cambrai Street site continues to deliver a sales model directly to its customer. During the latter stage of 2017-18, Usel created two e-commerce websites, namely [www.uselfactoryshop.co.uk](http://www.uselfactoryshop.co.uk) and [www.directbedsni.co.uk](http://www.directbedsni.co.uk). This will allow Usel to sell bedding products online, widening the customer base, for minimal financial outlay.

Within Usel's Circular Economy (recycling) department, we recycle mattresses, carpet and up-cycle furniture. The department created 11 new jobs for people with disabilities or health related conditions in 2017-18. The benefit of the department extends beyond creating employment and delivers a really positive environmental impact also.

### Employment Services Department

Employment Services division delivers a supported employment model to approximately 1,500 clients across Northern Ireland. Employment Services contracts are gained by tendering in open competition. During 2017-18, Usel successfully tendered for the Training for Success (TfS) programme, TfS Disability Support and STRIDE, which is a pre-employability programme supported by the European Social Fund. The STRIDE project is a four year programme and will run from 2018-2022.

The Employment Services model supports individuals employed outside Usel in various employment activities, 100% of whom will have a disability or health condition.

Corporate Services Department

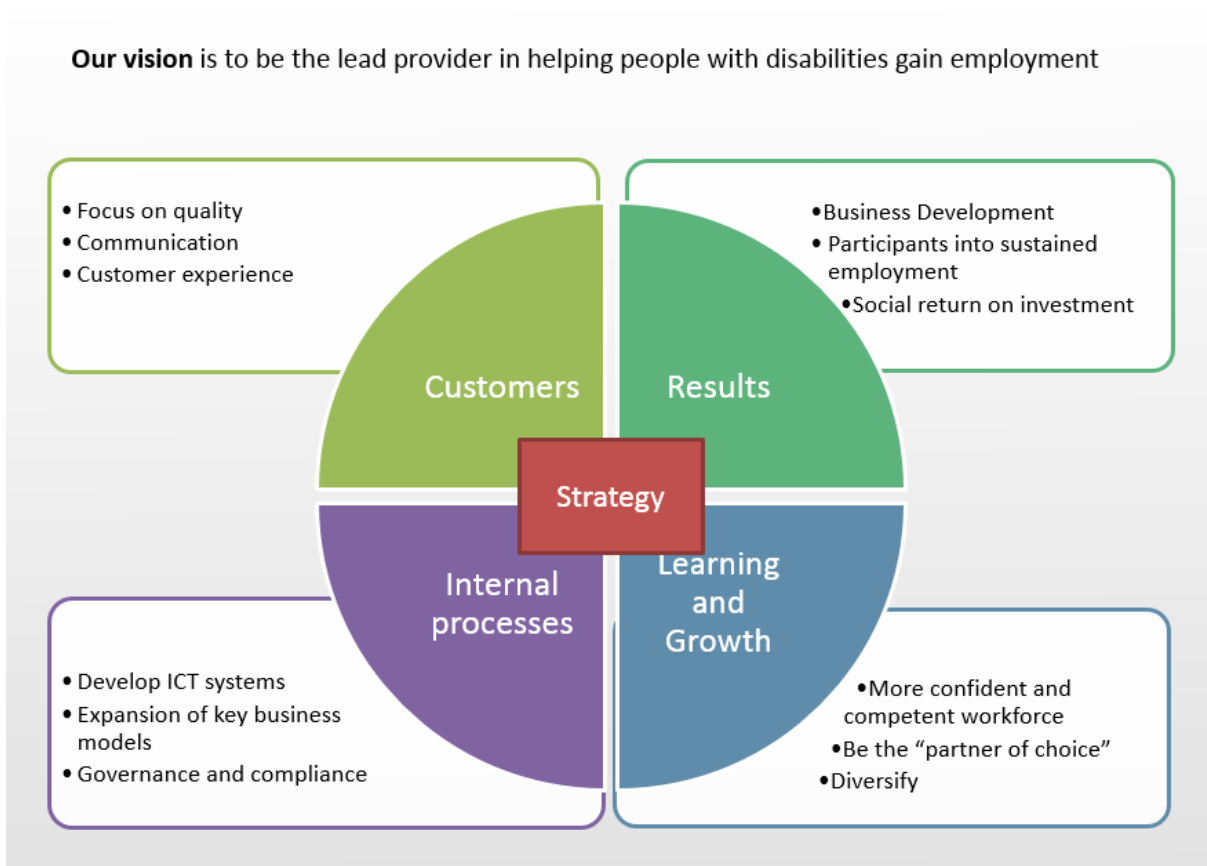
In 2017-18, Corporate Services delivered support in a range of functions, namely Finance, Compliance, ICT, Business Development and Marketing and Procurement. During 2017-18, Usel moved to an outsourced HR Business Partner. Two new roles were created for individuals with a disability or health related condition.

**Purpose**

The Usel core focus remains on 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 first year of Usel’s draft Corporate Plan 2017-2021. We continue 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 we continue to focus our efforts on growing our business the 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. Our ability to develop sustainable business relationships with our 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 and voluntary and community sector), specifically in relation to social enterprise which is now a key element within our business activity.

## Detailed Analysis

### Employment Services Division:

This division comprises of around 25 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, 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

### 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. The programme is now in its 37<sup>th</sup> year of operation by the Company. We remain the largest provider of this programme in Northern Ireland with 347 clients remaining active on the programme at the year end. 20 clients left the programme throughout the year.

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

2017-18 was the final year of a three-year European Social Fund (ESF) project. 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. 114 participants were recruited against a target of 80. Of the 114 who left the project in 2017-18, 34 (30%) entered employment against a project target of 15%. A further 27 (24%) achieved further training opportunities or mainstream government programmes, against a project target of 15%.

We have secured ESF funding for a further four years, starting in April 2018 expiring in March 2022.

This project will support up to 200 clients per year and will target getting 30% of participants into 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 2017-18, Usel was able to support 369 individuals via the Workable NI programme. Some 60 clients left the programme during the year for a variety of reasons, including moving into unsupported sustained employment and a number of participants leaving due to retirements.

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 Apprenticeships NI programmes who face a range of barriers to their development and training. During the year 2017-18 the Company delivered support to 140 participants, which added up to 1,268 hours mainly on the Training for Success (TFS) programme. The range of supports includes one-to-one mentoring, classroom support and job search activities.

#### E: Training for Success

In June 2017 Usel were successful in getting 3 contract lots (Antrim & Newtownabbey, Belfast City and Lisburn & Castlereagh) for the Training for Success 2017 contract. Delivery commenced in September 2017 with 6 learners on the programme, all in the vocational area of Retail. An additional learner joined in November 2017. To date, retention on the programme is 100%. All learners are making good progress in their programme. To develop the programme, we plan to recruit an additional 8-10 learners for the September 2018 intake.

#### Manufacturing and Recycling Division:

The Manufacturing and Recycling Division delivers three key areas:

##### 1: Mattress and bed manufacture

Following on from a strong 2016-17, we have improved on sales and units produced, finishing 5% better than budget. We were successful in the largest order that Usel has ever secured, an order for 1,200 units with McAleer Rushe. We have identified several new market sectors and as a result a number of new customers. The objective for 2018-19 is to continue to increase our sales level and market share in line with our corporate strategy.

The hard work delivered by the sales and production teams during 2017-18 has secured an order book that has allowed Usel to grow our customer base within our selected markets.

##### 2: Industrial sewing

The industrial sewing division performed well during 2017-18 finishing 5% above budget. This is a very positive result as last year it finished 0.6% above 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 division within the Company is already looking very positive for 2018/19 with a good strong order book and the strategy being to spread to a wider customer base.

During 2017-18, we 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 we have developed several additional customers within this sector.

### 3: Circular Economy

#### Mattress Recycling

Following a review of the mattress recycling model, a more structured approach was adopted in engaging potential customers. We have seen a positive shift not only in the financial return but also in the appetite for new market opportunities within a circular economy model. This enabled us to create 18 new jobs and approximately 20 work placements within recycling.

The mattress recycling team had a really successful 2017-18, substantially increasing the number of mattresses recycled – 28,000 (2016-17: 13,000 mattresses recycled). We are forecasting 35,000 to be recycled in 2018/19.

We have been successful in securing contracts with several Councils across Northern Ireland and are in negotiations with several others. We 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.

#### Carpet Recycling

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

#### Clean & Clears Pilot

In 2017-18, Usel assisted in the clearance of Northern Ireland Housing Executive (NIHE) void properties, working with one of the NIHE sub contractors (H&A Mechanical Services). The project created four full time posts for individuals with disabilities or health related conditions, ranging from administrative support staff to general operatives.

Usel operatives clear the void properties of waste and reusable materials. Any reusable materials are gifted to people with social housing needs, free of charge. During the pilot Usel serviced 57 individuals and recycled 55 tonnes of waste materials, diverting 100% from landfill.

#### Corporate Social Responsibility

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

We ensure our impact on our community locally and nationally is positive and our environmental footprint is reduced where possible. In 2017-18, Usel conducted a social impact analysis in the form of a retrospective social return on investment (SROI) assessment of the 2016-17 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:£10 was calculated, so for every £1 invested in Usel, £10 of social value is generated.

## ISO 9001:2015

The Company holds the quality of products and service delivery close to the core of the business. We recently became accredited with ISO 9001-2015. There were no instances of major or minor non-conformances. We are currently planning for 18001 and 14001, which will incorporate H&S and Environment.

## The Environment

Over the last year the Company has continued to promote environmental awareness as a key part of its overall strategy. We have again achieved Gold status in the Northern Ireland Environmental benchmark survey. We have built on our previous All Ireland Green Apple Award by this year getting a Silver World Green Award for environmental best practice.

Our mattress recycling has gone from strength to strength and we are working with additional councils to divert this product from landfill. In 2017-18, we recycled 617 tonnes of mattress waste, diverting this entity from landfill.

During 2017-18 a number of other projects commenced, which have positive environmental impacts:

- We started working with two councils in carpet recycling. We collect and bale carpet and send it to England for processing. We recycled 1 tonne of carpet, diverting 100% from landfill.
- The 'Clean & Clear' pilot with the NIHE. Approximately 35% of items removed are gifted, for free, to those with social housing needs, which equates to 55 tonnes diverted from landfill.
- Finally, Usel are working with a number of councils and private organisations in relation to re-use furniture i.e. furniture which is suitable for re-use but no longer required by original owner. This furniture supplements the NIHE initiative, gifting to those with social housing needs. This diverts 100% furniture from landfill, equating to 16 tonnes.

Within the factory and outlying offices, we continue to monitor consumables and as we refurbish areas we are 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. During 2017-18, the Board approved the Disability Action Plan for 2017-2021 which is available on our website [www.usel.co.uk](http://www.usel.co.uk).

## **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 Compliance Manager has responsibility for the 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 2017-18 (2016-17: nil).

## **Auditor's Remuneration**

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



**B Atkinson**  
**Chief Executive and Accounting Officer**  
**27 June 2018**

## Accountability Report

### Directors' Report

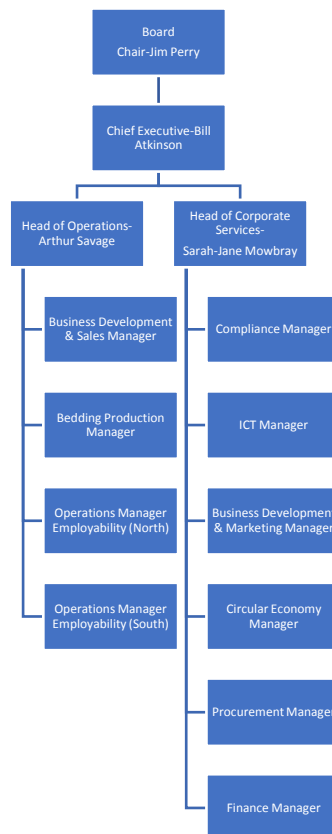
Year ended 31 March 2018

### 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 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.

## Employee involvement

The Company continues 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 provides 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 2017-18 Government Financial Reporting Manual (FRM), 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% 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, 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 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. The Company was taken through the review of public sector pension reform process and agreed an outcome with the Department for Finance and Personnel (now Department of Finance) for the retention of the scheme, which is now closed to new entrants.

The assets and contributions to the Defined Contribution Scheme are held by NOW Pensions and are outside the scope of the Company's Trustee Scheme.

### **Post Statement of Financial Position events**

No significant events have occurred since the date of the Statement of Financial Position which affects the Company or which materially affects 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 (2016-17: no incidents).

### **Political Donations**

Usel did not make any political donations in 2017-18 (2016-17: £nil).

### **Directors**

There were no changes to the Directors' team during the year, or post year end to date.

### **Current Service:**

#### **Jim Perry – Chairman (Appointed 1 August 2012)**

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 has recently been appointed a Trustee of the Gallaher Trust. 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 (Appointed 16 April 2012)**

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 (Appointed 16 April 2012)**

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 (Appointed 2 January 2013)**

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 and a Board Member of Bryson Future Skills Ltd.

**Donald MacKay – Director (Appointed 15 March 2013)**

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 (Appointed 1 January 2017)**

Ms Carol Magill is a Partnership Manager for the Chartered Institute of Marketing in Ireland and is a Fellow within the Institute. Carol is a former civil servant where she had a number of roles including Head of Communications in the Department of Culture, Arts and Leisure where she led on high profile, complex briefs including the delivery of the 2012 Olympics and Paralympics in Ireland. Carol was also Head of Youth Training Policy and had responsibility for the ‘Generating Our Success’ strategy. Before her career in the public sector, Carol worked in the voluntary sector with a key role in the successful change of name/brand of mental health charity from Industrial Therapy Organisation to Action Mental Health.

**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 2018 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 and 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, regularly meets 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. One of the Directors acts as Director with portfolio for Health and Safety. 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 normal 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.

During the monthly Board meetings, the Senior Team provide the Board with reports, documenting the performance of the Department for which they are responsible e.g. financial reports, sales reports etc, with a commentary. The Senior Team attends the Board to answer directly to the Board for the areas of operational control. 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.

The Board meets each line manager and department head at least once per annum to allow the Board to receive detailed information in respect of the individual business area. 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.

A new standing item was added to the Agenda during 2017-18, in relation to GDPR. This gave the Board assurance that Usel was adequately preparing for the implementation of GDPR in May 2018.

Attendance of Directors and Senior Managers at Board meetings:

<b>Name of Attendee</b>	<b>Record of Attendance</b>
Jim Perry (Chair)	11/11
Aidan Bennett	9/11
Gavin Adams	10/11
Trevor Hinds	11/11
Donald Mackay	9/11
Carol Magill	9/11
Bill Atkinson	11/11
Arthur Savage	10/11
Sarah-Jane Mowbray	11/11

### **Triennial Governance Review**

The Department's Internal Audit Unit (IAU) completed a preliminary review of Usel's controls and governance 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. A summary is provided below of the areas and recommendations:

- Corporate Governance and Risk Management – IAU concluded that there are a number of important issues to be addressed to ensure that there are adequate arrangements in place to enable the Board to fully discharge its responsibilities, and have made recommendations to address these matters. A number of recommendations were also made in relation to risk management and assurance arrangements;
- Procurement – IAU noted that Usel were not seeking procurement advice and guidance from Central Procurement Directorate (CPD). Issues were also identified in relation to the economic appraisals relating to a number of spending decisions;
- Human Resources – issues were noted in relation to the realisation of objectives relating to salary savings and headcount reduction outlined in the approved business case for the 2016-17 Usel Voluntary Exit Scheme (VES) and in relation to the decision making and approvals relating to a redundancy scheme operated in 2017;
- Financial Management - a number of areas for improvement relating to financial management and budgetary control were noted, particularly in relation to improving the quality of financial information provided to the Board and ensuring that annual business plans include budgetary details that will provide a clear rationale for the amount of Grant in Aid.

The Department issued its report with 15 recommendations in April 2018. An action plan has been implemented by Usel's Senior Management Team to track actions and monitor progress in response to the recommendations raised. As at June 2018, six points have been actioned, the remaining nine are in progress. Usel has agreed an implementation date of 31 October 2018.

### **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 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 2017-18 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. To strengthen the governance of the Board, in addition to the recommendations proposed in the Triennial Review above, the following processes will be implemented in 2018-19:

- The Board should receive training in developing a corporate governance structure that allows and encourages the Board to fulfill its responsibilities.
- An induction program with formal training should be developed for new directors.
- Board members should ensure sufficient time and opportunity is made to meet outside the formal Board meetings to discuss issues by themselves.
- Formal written Committee briefings should be produced, encapsulating the verbal update provided to the Board meeting, thus ensuring an appropriate amount of information to the Board.

One other area of improvement identified during this process was the composition of the Board, including recruitment. Some Board members were of the opinion that job descriptions for Board appointments should outline responsibilities in relation to the Usel Pension Scheme. The process of Board appointments is managed by the Public Appointments Unit, in conjunction with the Department for Communities. As at June 2018, this issue has been raised with the Sponsor Department and we are awaiting clarification.

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, two potential conflicts were declared by two Board members. They were noted in the minutes. These conflicts 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, as required. 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 2017-18, the attendance of members at the Audit and Risk Assurance Committee was as follows:

<b>Name of Member</b>	<b>Record of Attendance</b>
Aidan Bennett (Chair)	3/4
Gavin Adams	2/4
Trevor Hinds	4/4
Donald Mackay	3/4
Carol Magill	4/4
<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. The Chair of the Board acts as the Chair of the Pension Trustee Board. The Trustees meet at least on two occasions per annum with other ad-hoc meetings as required to discharge the duties of a Trustee.

The role of Pension Trustee is a challenging and onerous one and requires high levels of pensions regulator mandated training equating to a minimum of 30 hours annually.

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 Pension 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.

## 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, 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. We have identified a financial risk in relation to the Executive not being formed, as this may impact upon the level of grant in aid funding, plus match funding on our European Social Fund projects. To mitigate this risk, we are continuing to grow areas of the organisation which do not rely on grant funding, such as the manufacturing and circular economy division. Therefore, we consider there are sufficient mitigating controls in place to reduce the risk. 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 9001-2008 Quality Management system 6 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 Department for Communities (formerly Department for Employment and Learning);
- External auditor reports for European Social Fund funded programmes;
- External audits on behalf of BS8555 environmental management;
- 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;
- Triennial Governance Review (see page 19).

These audits and reviews have all provided positive assurance of the control mechanisms within the Company for the year 2017-18. No material issues were noted, nor were any significant risks or fraud identified.

Following an internal audit review in 2017-18, we received an overall satisfactory assurance on all levels tested, details of which are included in the Audit and Risk Assurance Committee Chair's report. On the foregoing basis I have a system of control which permits me to annually meet the Permanent Secretary in his capacity of 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 Ulster Supported Employment Limited continues to enforce the 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
- \* Publishing a Data Protection Policy procedure for all staff and updating relevant policies and procedures in preparation for introduction of General Data Protection Regulation in May 2018
- \* Enforcing the Company policies on ICT equipment
- \* Business Continuity Plan

Throughout the year 1<sup>st</sup> April 2017 – 31<sup>st</sup> March 2018 I can confirm that there were no data breaches.

### **Irregular Expenditure**

During 2017-18, Usel decided to make a post redundant as part of its organisational restructuring. The cost of this redundancy was £21,000. Usel should have secured Departmental approval to this decision, prior to incurring any expenditure but did not. Therefore the £21,000 is considered to be irregular.

Usel accept that the necessary Departmental approvals for the redundancy should have been obtained, prior to action being taken. The requirement for the approvals is clearly set out in the 'Management Statement and Financial Memorandum' (dated 2009) and Managing Public Money NI.

### **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 is critical.

### **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 is in place and advise me on the implications of the result of review

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 pension liability and the loan from the Department secured on the Cambrai Street site. The review referred to in the Chair's Foreward 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. The Department has also confirmed that presently there is no intention to call down the outstanding loan balance of £2,337,687. On this basis, the Directors consider the Company's financial position at the year-end to be satisfactory.



**B Atkinson**  
**Chief Executive and Accounting Officer**  
**27 June 2018**



## 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 its net resource outturn, application of resources, changes in taxpayers' equity 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 reports; and
- prepare the accounts on a going concern basis.

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.



**B Atkinson**  
**Chief Executive and Accounting Officer**  
**27 June 2018**

## 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 and of the surplus or deficit of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 which disclose with reasonable accuracy at any time the assets, liabilities, financial position and surplus or deficit 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 also responsible for preparing a directors' report that complies with the requirements of the Companies Act 2006.

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 auditors

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 auditors are 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 auditors are aware of that information.

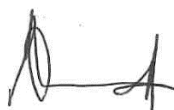
### Auditors

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.

On behalf of the Board



**J Perry**  
Director



**A Bennett**  
Director

**27 June 2018**

## 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. 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. The staff remuneration policy underwent a modification to reduce the number of spine points available. The change is phased over a period of 3 years following equal pay advice to the Company. This change was approved by the sponsoring branch.

### Remuneration Board Members (Audited Information)

	2017-18				2016-17			
	Salary £'000	Benefit in kind £'000	Pension Benefit £'000	Total £'000	Salary £'000	Benefit in kind £'000	Pension Benefit £'000	Total £'000
J Perry	5-10	-	-	5-10	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	60-65	-	-	60-65

Highest paid official £65,999 (2016-17: £63,927)

Total remuneration ratio 4.6 (2016-17: 4.5)

“Salary” includes gross salary; there were no bonuses paid.

The median salary during the year was £14,196 (2016-17: £14,303).

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 using the Entry Age Normal Method 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 Pension Scheme. This was approved by the sponsoring department following consultation with the Department of Finance and Personnel 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)

	2017-18	2016-17
	£	£
<b>Staff costs</b>		
Wages and salaries	5,272,011	4,972,035
Redundancy payments	297,087	246,133
Social security costs	299,267	246,227
Other pension costs	472,622	222,126
	<b>6,340,987</b>	<b>5,686,521</b>

All employees had a permanent contract of employment. The average number of full-time equivalent persons during the year was as follows:

	2017-18	2016-17
	Number	Number
<b>Average number of full-time equivalent persons employed:</b>		
Management and administration	66	50
Production distribution and sales	61	41
Employment support	305	374
	<b>432</b>	<b>465</b>

	2017-18	2016-17
	Number	Number
<b>Average number of full time equivalent persons employed:</b>		
Male staff	289	296
Female staff	143	169
	<b>432</b>	<b>465</b>

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

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.

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

### Off Payroll Disclosures

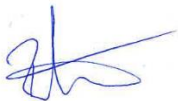
Usel did not have any off-payroll disclosures in 2017-18 (2016-17: £nil).

### Consultancy Costs

In 2017-18, Usel did not make any payments to consultants (2016-17: £nil).

### Sickness Absence

The short-term sickness absence rate for the year was 2% (2016-17: 3.5%).



**Bill Atkinson**  
**Chief Executive and Accounting Officer**  
**27 June 2018**

## **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 auditors 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 auditors, 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 19.

**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 September 2017 Audit and Risk Assurance Committee meeting.

The internal audit programme for this year included:

Area Reviewed	Assurance Rating	1	2	3	Total Recommendations
GDPR Governance report – 10 key areas were reviewed: - Business processes and data discovery - Third parties - Data ownership - Data security - System level controls - Data storage and retention - Awareness - Data policy, roles and responsibilities - Individual rights - Consent - Data breaches	The report is a factual report therefore a level of assurance, or internal audit opinion, was not provided.	-	-	-	N/A
Health & Safety	<b>Satisfactory</b>	-	5	-	<b>5</b>
Employment Programmes	<b>Satisfactory</b>	-	-	-	-
Corporate Governance & Risk Management	<b>Satisfactory</b>	-	1	-	<b>1</b>
Follow-up	<b>Satisfactory</b>	-	-	-	-
<b>Total</b>		-	<b>6</b>	-	<b>6</b>

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



**External Audit engagement:**

The committee received the draft audit report from NIAO at the meeting held on 27 June 2017. The draft audit report provided an unqualified opinion on the accounts for the year to 31<sup>st</sup> March 2017. Under the Companies (Public Sector Audit) Order (Northern Ireland) 2008 Usel is subject to a public sector audit by the Comptroller and Auditor General (C&AG).

**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 2017-18 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:**

There were no losses in 2017-18 (2016-17: £nil).


Special Payments

	2017-18	2016-17
	£	£
Total number of special payments	1	-
Total value of special payments	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 2017-18. 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.



**Aidan Bennett**  
**Chair of the Audit and Risk Assurance Committee**  
**27 June 2018**

## **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 2018 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. 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 the Remuneration and Staff Report that is described in that report 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 2018 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 Remuneration and Staff 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 Remuneration and Staff Report to be audited have been properly prepared in accordance the Government Financial Reporting Manual; and
- the information given in the Performance Report and Accountability 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 Remuneration and Staff 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 that reads "K J Donnelly". The signature is written in a cursive style with a long horizontal stroke at the end.

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

*Date*

17 September 2018

**Statement of Comprehensive Net Expenditure  
for the year ended 31 March 2018**

	Note	2018 £	2017 £
Income from sale of goods and services	3	6,844,526	6,243,156
Other operating income		67,855	232,088
<b>Total operating income</b>		<b>6,912,381</b>	<b>6,475,244</b>
Staff costs	4	(6,340,987)	(5,686,521)
Depreciation and amortisation	10	(55,792)	(45,177)
Other operating expenditure	5	(1,300,414)	(1,224,255)
<b>Total operating expenditure</b>		<b>(7,697,193)</b>	<b>(6,955,953)</b>
<b>Net Operating Expenditure</b>		<b>(784,812)</b>	<b>(480,709)</b>
Pension finance costs	7	(201,000)	(98,000)
Pension administrative expenses	22	(90,000)	(90,000)
Finance income	6	859	491
<b>Net Expenditure for the year</b>		<b>(1,074,953)</b>	<b>(668,218)</b>
<b>Other Comprehensive Net Expenditure</b>			
Items that will not be reclassified to net operating costs:			
Actuarial gain/(loss) on pension scheme liabilities	22	2,068,000	(5,224,000)
Net gain on revaluation of Property Plant and Equipment	18	136,800	9,000
<b>Comprehensive Net Expenditure for the year</b>		<b>1,129,847</b>	<b>(5,883,218)</b>

The notes on pages 41 to 58 form part of these financial statements.

## Statement of Financial Position as at 31 March 2018

	Note	2018 £	2017 £
<b>Non-current assets</b>			
Property, plant and equipment	10a	1,684,641	1,592,979
Intangible assets	10c	2,453	3,107
Investment property	11	100,000	90,000
<b>Total non-current assets</b>		<b>1,787,094</b>	<b>1,686,086</b>
<b>Current assets</b>			
Inventories	12	281,898	206,083
Trade and other receivables	13	932,358	686,929
Cash and cash equivalents	14	335,402	385,151
<b>Total current assets</b>		<b>1,549,658</b>	<b>1,278,163</b>
<b>Total assets</b>		<b>3,336,752</b>	<b>2,964,249</b>
<b>Current liabilities</b>			
Trade and other payables	15a	(970,431)	(901,524)
Loan from Department	15b	(2,337,687)	(2,337,687)
<b>Total assets less current liabilities</b>		<b>28,634</b>	<b>(274,962)</b>
<b>Non-current liabilities</b>			
Pension liabilities	22	(5,933,000)	(7,742,000)
<b>Total assets less total liabilities</b>		<b>(5,904,366)</b>	<b>(8,016,962)</b>
<b>Taxpayers' equity and other reserves</b>			
General reserve	17	(6,373,166)	(8,348,962)
Revaluation reserve	18	468,800	332,000
<b>Total equity</b>		<b>(5,904,366)</b>	<b>(8,016,962)</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 37 to 58 were approved by the Board on 27 June 2018 and were signed on its behalf by:




<b>J Perry</b>	<b>Date</b>	<b>B Atkinson</b>	<b>Date</b>
Chairman	27 June 2018	Accounting Officer	27 June 2018

Registration No. NI 005192

The notes on pages 41 to 58 form part of these financial statements.

**Statement of Cash Flows  
for the year ended 31 March 2018**

	Note	2018 £	2017 £
<b>Cash flows from operating activities</b>			
Net Operating Cost after interest		(1,074,953)	(668,218)
Adjustments for non-cash transactions			
Depreciation and amortisation	10	55,792	45,177
Pension interest and administrative expenses		291,000	188,000
Difference between pension charge and cash contributions		(32,000)	(309,000)
(Increase) / decrease in inventories	12	(75,815)	(65,609)
(Increase) / decrease in trade and other receivables	13	(245,429)	12,210
Increase / (decrease) in trade and other payables	15a	68,907	86,333
<b>Net cash outflow from operating activities</b>		<b>(1,012,498)</b>	<b>(711,107)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	(20,000)	(146,540)
Purchase of intangible assets	10	-	(3,270)
<b>Net cash outflows from investing activities</b>		<b>(20,000)</b>	<b>(149,810)</b>
<b>Cash flows from financing activities</b>			
Grant from sponsoring department	17	982,749	952,758
<b>Net financing</b>		<b>982,749</b>	<b>952,758</b>
<b>Net (decrease)/increase in cash and cash equivalents in the period</b>	14	<b>(49,749)</b>	<b>91,841</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>385,151</b>	<b>293,310</b>
<b>Cash and cash equivalents at the end of the period</b>	14	<b>335,402</b>	<b>385,151</b>

The notes on pages 41 to 58 form part of these financial statements.

**Statement of Changes in Taxpayers' Equity  
for the year ended 31 March 2018**

	<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 2016</b>	(3,419,502)	10,000	<b>(3,409,502)</b>	323,000	<b>(3,086,502)</b>
IAS 19 actuarial loss	(5,224,000)	-	<b>(5,224,000)</b>	-	<b>(5,224,000)</b>
Transfer between reserves	10,000	(10,000)	-	-	-
Grant from sponsoring department	952,758	-	<b>952,758</b>	-	<b>952,758</b>
Revaluation of property	-	-	-	9,000	<b>9,000</b>
Comprehensive Net Expenditure for the year	(668,218)	-	<b>(668,218)</b>	-	<b>(668,218)</b>
<b>Balance at 31 March 2017</b>	<b>(8,348,962)</b>	-	<b>(8,348,962)</b>	<b>332,000</b>	<b>(8,016,962)</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 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>

The notes on pages 41 to 58 form part of these financial statements.



## Notes to the financial statements for the year ended 31 March 2018

### 1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2017-18 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 accounts. The financial statements are prepared in accordance with the accounting and disclosure requirements of the Companies Act 2006.

#### 1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment. Despite the deficit in the Statement of Financial Position arising from the impact of IAS 19 - Retirement Benefits and the DfC loan, these financial statements have been prepared on the going concern basis because the 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. The Department has also confirmed that presently there is no intention to call down the outstanding loan balance.

Financial figures reported in these accounts are in pounds sterling except for note 22 Pension which are in thousand pounds sterling.

#### 1.2 Property, plant and equipment and depreciation

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. Usel 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.

Tangible non-current assets are depreciated on a straight-line basis at rates designed to write off the cost of these assets over their expected useful lives. The annual rates are based on the following useful lives:

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

#### 1.3 Donated Assets

Donated fixed assets are capitalised at their fair value on receipt and this value is credited to the Statement of Net Comprehensive Expenditure (SoCNE).

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

### **1.3 Donated Assets (continued)**

Donated fixed assets are valued and depreciated as described below for purchased assets. 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.

### **1.4 Intangible assets and amortisation**

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.

### **1.5 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.

### **1.6 Inventories**

Inventories are stated at cost or, if lower, at net realisable value after making due allowance for any obsolete or slow-moving items. In the case of finished goods and work in progress, cost comprises direct materials, direct labour and, if appropriate, direct overheads.

### **1.7 Turnover**

Turnover represents the invoice value of goods and services supplied to customers, excluding Value Added Tax (VAT).

### **1.8 Cash**

Cash and cash equivalents comprise cash balances. 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.

### **1.9 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.

### **1.10 Pension costs**

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

## 1. Statement of accounting policies (continued)

### 1.10 Pension costs (continued)

Comprehensive Net Expenditure. Actuarial gains and losses are recognised in Other Comprehensive Income.

The above pension scheme was closed to new employees on 31 January 2014; since this date new employees are auto-enrolled into a defined contribution scheme in accordance with current legislation.

### 1.11 Taxation

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

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

### 1.12 Impending application of newly issued accounting standards not yet effective

Under IAS 8 there is a requirement to disclose those standards issued but not yet adopted. Management reviewed the new accounting standards (IFRS 9, IFRS 15 and IFRS 16) that have been issued but are not yet effective, nor adopted early for these financial statements. Management consider that there are no standards issued but not yet adopted that are likely to have a significant impact on these financial statements in the period of the initial application.

### 1.13 Critical accounting estimates

The Company prepares its financial statements in accordance with the 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 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.

## 1. Statement of accounting policies (continued)

### 1.13 Critical accounting estimates (continued)

The value of the net pension obligation at 31 March 2018 and the key financial assumptions used to measure the obligation are disclosed in note 22.

## 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>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>
				<b>2016-17</b>
	<b>Manufacturing and Recycling</b>	<b>Employment Services</b>	<b>Other</b>	<b>Total</b>
	<b>£</b>	<b>£</b>		<b>£</b>
Income	743,182	5,499,974	232,088	6,475,244
Gross Expenditure	(1,699,840)	(5,256,113)	(187,509)	(7,143,462)
<b>Net Expenditure</b>	<b>(956,658)</b>	<b>243,861</b>	<b>44,579</b>	<b>(668,218)</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>2017-18</b>	<b>2016-17</b>
	<b>£</b>	<b>£</b>
Trading income	904,576	653,019
Contract services	39,715	60,538
Employment support	980,835	1,085,070
Contract income	4,901,357	4,295,039
Training income	18,043	149,490
	<b><u>6,844,526</u></b>	<b><u>6,243,156</u></b>

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

**4. Staff costs**

	<b>2017-18</b>	<b>2016-17</b>
	<b>£</b>	<b>£</b>
Wages and salaries	5,272,011	4,972,035
Redundancy payments	297,087	246,133
Social security costs	299,267	246,227
Other pension costs	472,622	222,126
	<b><u>6,340,987</u></b>	<b><u>5,686,521</u></b>

The above 2017-18 balance includes £3,400,375 (2016-17: £3,581,802) of staff costs relating to 305 (2016-17: 374) participants as at 31 March 2018 on the Employment Support programme.

## 5. Other operating expenditure

	<b>2017-18</b>	<b>2016-17</b>
	<b>£</b>	<b>£</b>
Materials	325,451	279,511
Payments to hosts and sub-contractors	198,007	296,545
General expenses	110,467	98,305
Insurance	90,248	75,305
Travel	86,896	22,037
Waste Disposal	56,439	-
Legal and professional fees	53,119	50,677
Repairs	48,413	97,538
Participant Costs	41,632	-
Light, heat and power	40,608	35,867
Motor expenses	40,457	64,429
Computer expenses	32,173	41,686
Rent and rates	28,818	22,332
Advertising	28,051	17,721
Training	26,785	51,415
Tutors	20,845	25,859
Telephone	18,806	16,102
Audit - external audit	16,000	10,000
Printing and stationery	12,115	12,618
Tools	9,743	4,442
Canteen	9,735	6,759
Audit - internal audit	4,165	5,800
Postage	3,304	9,647
Bank charges	2,018	2,359
Discount allowed	1,320	596
Packing	-	341
	<b><u>1,305,615</u></b>	<b><u>1,247,891</u></b>
<b>Non-cash costs</b>		
Bad debts written off	(2,888)	(110)
Profit on Disposal	-	(1,247)
Stock Provision	(2,313)	(22,279)
	<b><u>(5,201)</u></b>	<b><u>(23,636)</u></b>
<b>Total</b>	<b><u>1,300,414</u></b>	<b><u>1,224,255</u></b>

**6. Finance income**

	<b>2017-18</b>	<b>2016-17</b>
	<b>£</b>	<b>£</b>
Bank interest receivable	859	491
	<u><b>859</b></u>	<u><b>491</b></u>

**7. Pension Finance Costs**

	<b>2017-18</b>	<b>2016-17</b>
	<b>£</b>	<b>£</b>
Expected return on pension scheme assets	503,000	625,000
Interest on pension scheme liabilities	(704,000)	(723,000)
	<u><b>(201,000)</b></u>	<u><b>(98,000)</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 22 below.

**9. Expenditure for the year**

Expenditure for the year is stated after charging / (crediting):

	<b>2017-18</b>	<b>2016-17</b>
	<b>£</b>	<b>£</b>
Internal Audit	4,165	5,800
External Audit	16,000	10,000
Depreciation and amortisation	55,792	45,177
Interest receivable	(859)	(491)
	<u></u>	<u></u>

## 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 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

The Company's long leasehold buildings were revalued at 31 March 2018 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). 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.

The non-current assets are all owned by the Company.



## 10.b Property, plant and equipment

	<b>Long Leasehold Buildings</b>	<b>Plant and office Equipment</b>	<b>Motor vehicles</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost or Valuation</b>				
At 1 April 2016	1,450,000	647,052	43,739	2,140,791
Additions	-	146,540	87,248	233,788
Disposals	-	(12,005)	-	(12,005)
Impairments	(20,000)	-	-	(20,000)
Transfers	(90,000)	-	-	(90,000)
<b>At 31 March 2017</b>	<b>1,340,000</b>	<b>781,587</b>	<b>130,987</b>	<b>2,252,574</b>
<b>Depreciation</b>				
At 1 April 2016	-	611,847	43,739	655,586
Charged in the year	29,000	15,529	485	45,014
Disposals	-	(12,005)	-	(12,005)
Impairments	(29,000)	-	-	(29,000)
<b>At 31 March 2017</b>	<b>-</b>	<b>615,371</b>	<b>44,224</b>	<b>659,595</b>
<b>Net book value</b>				
<b>At 31 March 2017</b>	<b>1,340,000</b>	<b>166,216</b>	<b>86,763</b>	<b>1,592,979</b>
At 31 March 2016	1,450,000	35,205	-	1,485,205

**10.c 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>

**10.d Intangible assets**

	<b>Software Licences</b>
	<b>£</b>
<b>Cost or Valuation</b>	
At 1 April 2016	51,977
Additions	3,270
<b>At 31 March 2017</b>	<u><b>55,247</b></u>
<b>Amortisation</b>	
At 1 April 2016	51,977
Impairments	163
<b>At 31 March 2017</b>	<u><b>52,140</b></u>
<b>Net book value</b>	
<b>At 31 March 2017</b>	<u><b>3,107</b></u>
At 31 March 2016	<u>-</u>

**11. Investment Property**

Investment property comprises part of the building at Cambrai Street, Belfast, that is leased out to tenants for a commercial rent. The property is reported at fair value based on a professional valuation provided by Land and Property Services at 31 March 2018.

	<b>2017-18</b>	<b>2016-17</b>
	<b>£</b>	<b>£</b>
Opening Balance	90,000	-
Change in fair value	10,000	-
Transfer from PPE	-	90,000
Closing Balance	<b>100,000</b>	<b>90,000</b>

Rental Income of £11,500 (2016-17: £29,085) was generated from investment property during the year.

**12. Inventory**

	<b>2017-18</b>	<b>2016-17</b>
	<b>£</b>	<b>£</b>
Raw materials	157,928	167,087
Work in progress	10,021	2,338
Finished goods	113,949	36,658
	<b>281,898</b>	<b>206,083</b>

Raw materials, consumables, changes in finished goods and work in progress recognised as cost of sales in the year amounted to £325,451 (2017: £279,511).

The write down of stock to net realisable value amounted to £22,931 (2017: £25,245). The reversal of write downs amounted to £25,245 (2017: £22,279). All reversals and write downs are included in cost of sales.

**13. Trade and other receivables**

	<b>2017-18</b>	<b>2016-17</b>
	<b>£</b>	<b>£</b>
Receivables - trade	365,564	278,519
Other receivables	205,452	396,346
Prepayments and accrued income	361,342	12,064
	<b>932,358</b>	<b>686,929</b>

**14. Cash and cash equivalents**

	<b>2017-18</b>	<b>2016-17</b>
	<b>£</b>	<b>£</b>
Balance at 1 April	385,151	293,310
Net change in cash and cash equivalents	(49,749)	91,841
<b>Balance at 31 March</b>	<b>335,402</b>	<b>385,151</b>

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

Commercial banks and cash in hand	527,131	500,727
Bank overdraft	(191,729)	(115,576)
<b>Balance at 31 March</b>	<b>335,402</b>	<b>385,151</b>

**15. a Trade and other payables**

	<b>2017-18</b>	<b>2016-17</b>
	<b>£</b>	<b>£</b>
<b>Amounts falling due within one year:</b>		
Trade payables	189,791	111,271
VAT	73,492	94,903
Other taxation and social security	99,785	52,169
Other payables	120,172	23,684
Accruals and deferred income	487,191	619,497
	<b>970,431</b>	<b>901,524</b>

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

	<b>2017-18</b>	<b>2016-17</b>
	<b>£</b>	<b>£</b>
Loan from DfC	<u>2,337,687</u>	<u>2,337,687</u>

The 'loan' is advanced by the Department for Communities and 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.

**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. General Reserve**

	<b>2017-18</b>	<b>2016-17</b>
	<b>£</b>	<b>£</b>
<b>General Fund</b>		
Opening balance	(8,348,962)	(3,409,502)
Actuarial gain/(loss)	2,068,000	(5,224,000)
Grant in aid from DfC	982,749	952,758
Transfer from general reserve	-	10,000
Deficit for the year	<u>(1,074,953)</u>	<u>(668,218)</u>
Closing balance	<b><u>(6,373,166)</u></b>	<b><u>(8,348,962)</u></b>
<b>General Reserve</b>		
Opening balance 1 April	-	10,000
Transfer to general fund	<u>-</u>	<u>(10,000)</u>
Closing balance	<u>-</u>	<u>-</u>
<b>Total General Reserve</b>	<b><u>(6,373,166)</u></b>	<b><u>(8,348,962)</u></b>

**18. Revaluation Reserve**

	<b>2017-18</b>	<b>2016-17</b>
	<b>£</b>	<b>£</b>
Opening balance	332,000	323,000
Revaluation of buildings	136,800	9,000
Closing balance	<b><u>468,800</u></b>	<b><u>332,000</u></b>

**19. Capital Commitments**

The Company had no contracted capital commitments at 31 March 2017 or 31 March 2018, not otherwise included in these financial statements.

## 20. Commitments under leases

At 31 March 2018 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:

	2017-18	2016-17
	£	£
<b>Buildings</b>		
Not later than one year	<u>20,280</u>	<u>12,020</u>

## 21. Financial performance targets

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

## 22. 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. The contributions to the main scheme are determined by a qualified actuary on 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>2017-18</b>	<b>2016-17</b>
	<b>£'000</b>	<b>£'000</b>
Benefit obligation at beginning of year	27,825	19,751
Current service cost	435	251
Gain on settlements	-	(43)
Interest costs	704	723
Plan participants' contributions	179	205
Benefit payments from plan	(478)	(365)
Insurance premiums for risk benefits	(27)	(27)
Actuarial (gains)/losses	<u>(2,069)</u>	<u>7,330</u>
Benefit obligation at end of year	<u><b>26,569</b></u>	<u><b>27,825</b></u>

**22. Pension fund (continued)**

<b>Change in plan assets</b>	<b>2017-18</b>	<b>2016-17</b>
	<b>£'000</b>	<b>£'000</b>
Fair value of plan assets at beginning of year	20,083	17,112
Expected return on plan assets	503	625
Employer contribution	467	517
Member contributions	179	205
Benefits paid	(478)	(365)
Administrative expenses paid	(90)	(90)
Insurance premiums for risk benefits	(27)	(27)
Return on plan assets (excluding interest income)	(1)	2,106
Fair value of plan assets at end of year	<b>20,636</b>	<b>20,083</b>
<b>Amounts recognised in the statement of financial position</b>		
	<b>2017-18</b>	<b>2016-17</b>
	<b>£'000</b>	<b>£'000</b>
Defined benefit obligation	(26,569)	(27,825)
Fair value of plan assets	20,636	20,083
Net liability	<b>(5,933)</b>	<b>(7,742)</b>
<b>Components of pension cost</b>		
	<b>2017-18</b>	<b>2016-17</b>
	<b>£'000</b>	<b>£'000</b>
Current service cost	435	251
Past service cost	-	(43)
<b>Total service cost</b>	<b>435</b>	<b>208</b>
Interest cost	704	723
Interest income on plan assets	(503)	(625)
<b>Net interest cost</b>	<b>201</b>	<b>98</b>
<b>Administrative expenses and taxes</b>	<b>90</b>	<b>90</b>
Defined benefit cost included in the Statement of Net Comprehensive Expenditure	<b>726</b>	<b>396</b>
Total re-measurements included in other comprehensive income	<b>(2,068)</b>	<b>5,224</b>
<b>Total defined benefit cost recognised in the Statement of Comprehensive Net Expenditure</b>	<b>(1,342)</b>	<b>5,620</b>

## 22. Pension fund (continued)

<b>Net defined benefit liability reconciliation</b>	<b>2017-18</b>	<b>2016-17</b>
	<b>£'000</b>	<b>£'000</b>
Net defined benefit liability	7,742	2,639
Defined benefit cost included in the Statement of Net Comprehensive Expenditure	726	396
Total re-measurements included in other comprehensive income	(2,068)	5,224
Employer contributions	(467)	(517)
<b>Net defined benefit liability as of end of year</b>	<b>5,933</b>	<b>7,742</b>

<b>Defined benefit obligation</b>	<b>2017-18</b>	<b>2016-17</b>
<b>Benefit obligation by participant status</b>	<b>£'000</b>	<b>£'000</b>
Actives	15,712	16,103
Vested deferreds	7,955	8,698
Retirees	2,902	3,024
	<b>26,569</b>	<b>27,825</b>

<b>Plan assets</b>	<b>2017-18</b>	<b>2016-17</b>
<b>Fair value of plan assets</b>	<b>£'000</b>	<b>£'000</b>
Cash and cash equivalents	36	323
Equity instruments	5,146	10,154
Debt instruments	10,379	9,606
Investment funds	5,075	-
	<b>20,636</b>	<b>20,083</b>

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

	<b>2017-18</b>	<b>2016-17</b>
	<b>%</b>	<b>%</b>
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



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

	<b>2017-18</b>	<b>2016-17</b>
	<b>%</b>	<b>%</b>
Discount rate	2.5	3.6
Rate of increase in salaries	3.1	2.9
Rate of pension increases	3.1	2.9
Inflation assumption - RPI	3.1	2.9
Inflation assumption - CPI	2.1	1.9

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

	<b>2017-18</b>	<b>2016-17</b>
	<b>Years</b>	<b>Years</b>
Retiring today (member age 65)	21.3	21.2
Retiring in 20 years (member age 45 today)	23.5	23.3

**Sensitivity Analysis**

	<b>2017-18</b>	<b>2016-17</b>
	<b>£'000</b>	<b>£'000</b>
<i>Present value of defined benefit obligation</i>		
Discount rate - 25 basis points	28,206	29,632
Discount rate + 25 basis points	25,055	26,161
Price inflation - 25 basis points	25,185	26,307
Price inflation + 25 basis points	28,056	29,463
Mortality assumption - 1 year	27,399	28,739
<i>Weighted average duration of defined benefit obligation (in years)</i>		
Discount rate - 25 basis points	23.92	25.17
Discount rate + 25 basis points	23.47	24.67

**Other required disclosure amounts**

The contributions expected to be paid to the plan during the next financial year amount to £460,000.

### 23. 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 (€)	Other Balances due from DfC	Retention Monies due	Loan	Grants received
31-Mar-18	53,835	-	-	2,337,687	982,749
31-Mar-17	(297,926)	-	-	2,337,687	952,758

### Key management personnel compensation

Key management personnel compensation amounted to €292,246 (2016-17: €369,206) for the year ended 31 March 2018. Compensation of key management includes salaries, non-cash benefits and contributions to defined benefit / defined contribution pension plans.

### 24. 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 17 September 2018.

**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.