

Company Registration No. 4351294 (England and Wales)

THE OMBUDSMAN SERVICE LIMITED

COMPANY LIMITED BY GUARANTEE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016



**THE OMBUDSMAN SERVICE LIMITED
COMPANY LIMITED BY GUARANTEE
COMPANY INFORMATION**

Directors

Mr C A G Deadman	
Baroness M Jones	
Mr J J McCracken	
Mr J N Rees	
Mr L Shand Smith	
Lord T F Clement Jones CBE	(Appointed 1 July 2016)
Miss L Tennant	(Appointed 1 May 2016)
Ms M L Ibbs	(Appointed 1 May 2016)
Sir L W Lewis	(Appointed 1 May 2016)

Company number 4351294

Registered office 3300 Daresbury Park
Daresbury
Warrington
WA4 4HS

Auditor Moore and Smalley LLP
Richard House
9 Winckley Square
Preston
PR1 3HP

**THE OMBUDSMAN SERVICE LIMITED
COMPANY LIMITED BY GUARANTEE
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THE OMBUDSMAN SERVICE LIMITED COMPANY LIMITED BY GUARANTEE STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present the strategic report and financial statements for the period 1 January 2016 to 31 December 2016.

Review of the Business

This has been a period of transition for The Ombudsman Service Limited as the business has shifted its focus beyond individual complaint handling to building capability in respect of identifying and tackling consumer detriment in a more systemic, preventative way. The Board took the decision to focus on new sectors where the complete ombudsman service can be offered rather than just basic dispute resolution. Building on the review conducted by Ofgem in 2015, and the subsequent announcement by the then Secretary of State for Energy and Climate Change that the Ombudsman should adopt a more holistic and proactive approach, a new model has been developed for the Energy Ombudsman. This has been completed working with strategic partners, particularly Ofgem and Citizens Advice. The Company has also continued to increase its influence within the dispute resolution and consumer affairs spheres, in particular championing the "Energy Ombudsman Model" as the standard for modern redress. As part of The Ombudsman Service Limited's shift in focus towards a more systemic, preventative approach, the Board has also overseen the development of the Company's capabilities in respect of collection, analysis and use of data.

Business volumes at periods during the year exceeded forecast, in terms of the numbers of cases received, as a result of which the Company failed to meet some of its key performance indicators for part of the year. The Board took a close interest in the issues and supported a number of actions and improvements taken by the Company to meet demand such that, by the end of the year, the problems had been largely overcome. The Ombudsman Service Limited is a values-led organisation and the Board has overseen the process to agree a new set of values. Good for consumers – Good for business by:

- Having the passion to put things right
- Continuously learning to break new ground
- Trusting each other to be our best every day
- Making a difference together

Principal activities and business review

The Ombudsman Service Limited is a not-for-distributable-profit company which provides independent dispute resolution nationally for the energy, communications, property and copyright licensing sectors, the Asset Based Finance Association (ABFA), the Solicitors Regulation Authority (SRA), reallymoving.com, the Double Glazing & Conservatory Quality Assurance Ombudsman Scheme, the Home Insulation and Energy Systems Quality Assured Contractors Scheme, and Referenceline.

In addition, The Ombudsman Service Limited also administers the Parking on Private Land Appeals (POPLA) service on behalf of the British Parking Association.

Between January and December 2016 Ombudsman Services handled 246,274 initial enquiries from complainants, and resolved 72,652 cases. This is a 3% increase on 2015.¹ Energy cases reduced by 25% whilst communications cases increased by 42%. Almost 40,000 decisions were issued by POPLA.

Results

The surplus for the year, after taxation, amounted to £180,302. This surplus has allowed the Company to maintain a level of reserves broadly in line with the reserves policy set by the Board. The policy aims to cover a minimum of four months operating costs in order to give the Company the ability to deal with sudden increases or decreases in case volumes, and to invest to sustain a high quality service to all sectors.

¹ If comparing with the Annual Report for 2015 please note that it covered only nine months rather than a full year.

**THE OMBUDSMAN SERVICE LIMITED
COMPANY LIMITED BY GUARANTEE
STRATEGIC REPORT (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2016

Risk

The Board's approach to risk management aims to balance risk and proportionality. It applies reasoned judgement and consideration of likelihood and impact, and balances this against the cost of mitigation. The risks are identified, managed and monitored by our executive team.

The likelihood and the impact of each risk is assessed and tracked on the corporate risk register. Responsibility for control and mitigation of each risk rests with the appropriate executive team member.

The risk register is reviewed and agreed by the Audit and Risk Committee and the Board, with regular 'deep dive' reviews undertaken by the Audit and Risk Committee and the Board to ensure that all factors are considered and that the appropriate mitigating actions implemented and appropriate outcomes realised.

Risks are categorised as:

- political risks;
- financial risks;
- operational risks;
- regulatory risks;
- reputational risks;
- capacity risks; and
- governance risks

The Board recognises that the timely identification and management of risk is a key factor in success. Thus, a risk management framework for all projects has been developed. Robust trigger points have been identified to ensure that risks are escalated up to the corporate risk register when necessary so that the Board can have timely and appropriate input.

Internal Audit

The Board recognises the need for assurance that robust systems and processes are in place. Hence, the Company has retained the services of RSM as its Internal Audit partner throughout 2016.

Three audits have been undertaken during the reporting period

- Consumer Ombudsman – Project Management
- Costing and Financial Forecasting
- Human Resources – Recruitment and Learning & Development

The Board has found the work of RSM valuable in providing it with assurance that appropriate measures and activities are in place. The Board, through the Audit and Risk Committee, will continue in 2017 to monitor implementation of agreed actions.

Our people

The Ombudsman Service Limited has a continued commitment to develop its people through investment in their training and skills. The Board recognises that the experience of customers and stakeholders depends on an accessible, professional and knowledgeable service delivered by appropriately skilled individuals. Overall, 3.4 training days per employee have been delivered.

The Company's vision is to be a high performing service that is accessible to all and that rewards those who consistently contribute towards our success.

The Board were pleased to note that changes to employment terms and conditions and to colleague benefits, after a comprehensive period of staff consultation during 2015, were successfully implemented in 2016.

**THE OMBUDSMAN SERVICE LIMITED
COMPANY LIMITED BY GUARANTEE
STRATEGIC REPORT (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2016

Our people (Continued)

During the reporting period, the number of permanent employees grew by 17%; 17.6% of new roles were filled through internal promotion. The pilot apprentice programme, which started in 2015, came to a successful conclusion with 8 out of the original 11 apprentices securing full-time employment with the company. In 2016, 2 apprentices were recruited within IT, providing an opportunity to develop internal talent in this specialist area.

For the second year running, the Ombudsman Service Limited has been accredited as a 'One to Watch' company by Best Companies. The company achieved an overall response rate of 87% (up from 85% in 2015), which is itself a healthy indicator of employee engagement.

More than 80% of our staff feel that the Ombudsman Service Limited is a good place to work, and the Board is particularly pleased to see improved scores around 'Wellbeing', 'Fair Deal', and 'My Manager'.

The Best Companies analysis offers a framework to track our progress and identify how to support our corporate and commercial agenda.

The Board was proud to see that the Ombudsman Service Limited achieved accreditation for Investors in People (IIP) at bronze level against the new IIP framework². It is the thirteenth successive year that The Ombudsman Service Limited has held IIP status.

Equality and diversity

The Ombudsman Service Limited is committed to equality of opportunity and respect for diversity and the Board takes a very close interest in the E&D strategy. As an equal opportunities employer, the company understands and welcomes the advantages of an open and diverse culture.

The equality and diversity strategy sets a number of key equality and diversity objectives that will continue to underpin the work of the company. They are:

- to foster an inclusive environment for all staff;
- to ensure that services are accessible to all;
- to implement the change programme fairly and transparently; and
- to ensure the learning from complaints handling is fed back to the participating companies.

~~The Company's 'Diversity Champions', consisting of representatives from across the business, have continued to lead on E&D strategy, playing a key role in promoting a positive working environment, embedding inclusive behaviour and ensuring the service is accessible for both internal and external customers.~~

Health and safety

The Board recognises its obligation to safeguard health and safety. This includes employees working onsite or at home, outsourced flexible resource, contractors working onsite and visitors. Legal obligations are met with the implementation of a health and safety policy, setting safety objectives and suitable safeguards.

The company has an external health and safety partner to provide specialist advice and support to the executive as well as a full time facilities manager to promote best practice and to ensure all relevant policies and procedures are adhered to.

² At the time of going to press the Company had achieved silver level

**THE OMBUDSMAN SERVICE LIMITED
COMPANY LIMITED BY GUARANTEE
STRATEGIC REPORT (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2016

Environmental responsibility

The Board takes environmental responsibilities seriously and is committed to reducing the impact of the company on the environment.

206 of our people participate in a car sharing scheme, investigation officers are encouraged to work up to half their time at home and the uptake of the cycle to work scheme increased in 2016. The mileage saved in 2016 has been calculated at 214,122 miles with an estimated reduction in CO2 emissions of 70.5 tonnes. The company encourages the use of teleconferencing facilities and public transport for business meetings as much as practically possible.

Most waste paper is recycled and the Board is pleased that a new project has commenced to increase the proportion of total waste that the company recycles. Currently, the Ombudsman Service Limited recycles between 75-85% of its waste and it is anticipated that following planned changes this figure will increase to between 90-95%.

Corporate social responsibility

The Board encourages the all members of the business to embrace corporate social responsibility. The local community is important to the company and active involvement is strongly encouraged.

The Ombudsman Service Limited is proud to support charities through fundraising activity and throughout the year the volunteer charity crew have run monthly activities in support of the chosen local charity and a number of national charities. It's important that the local charity of the year is chosen by all the people in the Company and during the reporting period the Shannon Bradshaw Trust was supported.

In addition to the charity work, people are encouraged to contribute to the community by taking roles such as school governors.

Customer satisfaction

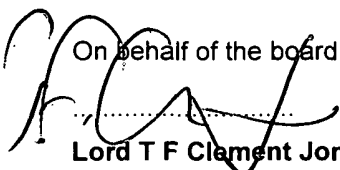
The Board places a high value on the overall customer experience of those who bring their complaints to The Ombudsman Service Limited.

The Board receives regular reports on the customer satisfaction data and also data and insights from complaints about the service provided by the Company. While the challenges resulting from unanticipated case volumes have impacted negatively on performance against key satisfaction criteria during 2016, the Board has been satisfied with the Company's response to the results. The Board is also pleased to see the development of a new customer satisfaction strategy, to launch in 2017, which not only develops the existing customer satisfaction surveys, but also extends the research to participating companies and other key stakeholders.

While overall contacts and complaints about participating companies have continued to rise, the Board is pleased that the percentage of customers raising a service complaint about The Ombudsman Service Limited itself remains relatively low at 2.8% of all cases dealt with.

The Board regularly seeks assurance that the Company uses the feedback from the customer satisfaction survey and the independent assessors to continually assess the quality of our process and take remedial action wherever it is necessary.

On behalf of the board



**Lord T F Clement Jones CBE
Director**

25 May 2017

**THE OMBUDSMAN SERVICE LIMITED
COMPANY LIMITED BY GUARANTEE
DIRECTORS' REPORT**

FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their annual report and financial statements for the year ended 31 December 2016.

Principal activities

The principal activity of the company continued to be that of independent dispute resolution.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr W A Blowers	(Resigned 31 May 2016)
Mr C A G Deadman	
Dame J Finch	(Resigned 30 June 2016)
Baroness M Jones	
Mr J J McCracken	
Mr J N Rees	
Mr L Shand Smith	
Lord T F Clement Jones CBE	(Appointed 1 July 2016)
Miss L Tennant	(Appointed 1 May 2016)
Ms M L Ibbs	(Appointed 1 May 2016)
Sir L W Lewis	(Appointed 1 May 2016)

Results

The results for the year are set out on page 9.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

~~The company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect the employees' interest.~~

Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

There is no employee share scheme at present, but the directors are considering the introduction of such a scheme as a means of further encouraging the involvement of employees in the company's performance.

Auditor

The auditor, Moore and Smalley LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

**THE OMBUDSMAN SERVICE LIMITED
COMPANY LIMITED BY GUARANTEE
DIRECTORS' REPORT (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2016

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 requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that period. In preparing these financial statements, the directors are required to:

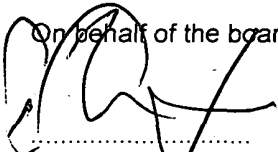
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



.....
Lord T F Clement Jones CBE
Director

25 May 2017

**THE OMBUDSMAN SERVICE LIMITED
COMPANY LIMITED BY GUARANTEE
INDEPENDENT AUDITOR'S REPORT**

TO THE MEMBERS OF THE OMBUDSMAN SERVICE LIMITED

We have audited the financial statements of The Ombudsman Service Limited for the year ended 31 December 2016 set out on pages 9 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its surplus for the year then ended;
- ~~have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and~~
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

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

**THE OMBUDSMAN SERVICE LIMITED
COMPANY LIMITED BY GUARANTEE
INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

TO THE MEMBERS OF THE OMBUDSMAN SERVICE LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Tracey Johnson

**Tracey Johnson (Senior Statutory Auditor)
for and on behalf of Moore and Smalley LLP
Chartered Accountants
Statutory Auditor**

Richard House
9 Winckley Square
Preston
PR1 3HP

16 August 2017

**THE OMBUDSMAN SERVICE LIMITED
COMPANY LIMITED BY GUARANTEE
STATEMENT OF COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Year ended 31 December 2016 £	9 month period ended 31 December 2015 £
Income	3	30,991,819	23,474,032
Administrative expenses		(30,878,561)	(21,652,977)
Operating surplus	4	113,258	1,821,055
Interest receivable and similar income	7	26,501	18,971
Change in value of investments	8	53,438	(14,861)
Surplus before taxation		193,197	1,825,165
Taxation	9	(12,895)	3,012
Surplus for the financial year		180,302	1,828,177

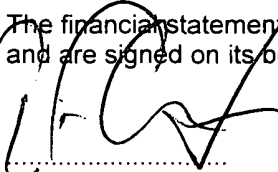
The Income and Expenditure Account has been prepared on the basis that all operations are continuing operations.

**THE OMBUDSMAN SERVICE LIMITED
COMPANY LIMITED BY GUARANTEE
STATEMENT OF FINANCIAL POSITION**

AS AT 31 DECEMBER 2016

	Notes	2016		2015	
		£	£	£	£
Fixed assets					
Intangible assets	10		390,598		1,351,114
Tangible assets	11		1,696,584		2,337,544
Investments	12		3,017,740		564,302
			<u>5,104,922</u>		<u>4,252,960</u>
Current assets					
Debtors	14	4,938,607		7,292,943	
Cash at bank and in hand		7,417,345		4,783,917	
		<u>12,355,952</u>		<u>12,076,860</u>	
Creditors: amounts falling due within one year	15	(4,741,447)		(3,682,151)	
Net current assets			<u>7,614,505</u>		<u>8,394,709</u>
Total assets less current liabilities			<u>12,719,427</u>		<u>12,647,669</u>
Creditors: amounts falling due after more than one year	16		(2,240,151)		(2,386,092)
Provisions for liabilities	17		(451,785)		(414,388)
Net assets			<u>10,027,491</u>		<u>9,847,189</u>
Reserves					
Income and expenditure account			<u>10,027,491</u>		<u>9,847,189</u>

The financial statements were approved by the board of directors and authorised for issue on 25 Nov 2017 and are signed on its behalf by:


Lord T F Clement Jones CBE
Director

Company Registration No. 4351294

**THE OMBUDSMAN SERVICE LIMITED
COMPANY LIMITED BY GUARANTEE
STATEMENT OF CHANGES IN EQUITY**

FOR THE YEAR ENDED 31 DECEMBER 2016

	Income and expenditure account £
Balance at 1 April 2015	8,019,012
Period ended 31 December 2015: Surplus and total comprehensive income for the period	1,828,177
Balance at 31 December 2015	9,847,189
Period ended 31 December 2016: Surplus and total comprehensive income for the period	180,302
Balance at 31 December 2016	<u>10,027,491</u>

**THE OMBUDSMAN SERVICE LIMITED
COMPANY LIMITED BY GUARANTEE
STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Year ended 31 December 2016		9 month period ended 31 December 2015	
		£	£	£	£
Cash flows from operating activities					
Cash generated from operations	23	5,256,861		688,279	
Income taxes (paid)/refunded		(3,795)		3,012	
Net cash inflow from operating activities		5,253,066		691,291	
Investing activities					
Purchase of intangible assets		(17,233)	(1,201,897)		
Purchase of tangible fixed assets		(228,906)	(939,627)		
Cash invested		(2,400,000)	-		
Interest received		26,501	18,971		
Net cash used in investing activities		(2,619,638)		(2,122,553)	
Net cash used in financing activities		-		-	
Net increase/(decrease) in cash and cash equivalents		2,633,428		(1,431,262)	
Cash and cash equivalents at beginning of year		4,783,917		6,215,179	
Cash and cash equivalents at end of year		7,417,345		4,783,917	

**THE OMBUDSMAN SERVICE LIMITED
COMPANY LIMITED BY GUARANTEE
NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

Company information

The Ombudsman Service Limited is a private company limited by guarantee incorporated in England and Wales. The registered office is 3300 Daresbury Park, Daresbury, Warrington, WA4 4HS.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Income and expenditure

Turnover represents subscription and case fee income of the service and any costs recovered in setting up new ombudsman services.

Case fee income is recognised dependent on the progress of the case and the stage of completion at the period end.

Expenses are included in the financial statements as they become receivable or due.

~~**1.4 Intangible fixed assets other than goodwill**~~

~~Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair value can be measured reliably.~~

~~Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.~~

~~Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:~~

~~Software 33% straight line~~

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

**THE OMBUDSMAN SERVICE LIMITED
COMPANY LIMITED BY GUARANTEE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures, fittings and office equipment	20 - 50% straight line
Computer equipment	33% straight line or over life of lease

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to surplus or deficit.

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in surplus or deficit, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**THE OMBUDSMAN SERVICE LIMITED
COMPANY LIMITED BY GUARANTEE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in surplus or deficit, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

Derecognition of financial assets

~~Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled; or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.~~

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

**THE OMBUDSMAN SERVICE LIMITED
COMPANY LIMITED BY GUARANTEE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

There are no other financial liabilities held by the company.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.9 Equity instruments

The company is limited by guarantee and as such there are no equity instruments.

1.10 Taxation

The tax expense represents the sum of the tax currently payable.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

The company is only liable to taxation on its investment activities. Deferred tax is provided for on unrealised gains on the valuation of investments.

**THE OMBUDSMAN SERVICE LIMITED
COMPANY LIMITED BY GUARANTEE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

1.11 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.13 Retirement benefits

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the income and expenditure account.

1.14 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

**THE OMBUDSMAN SERVICE LIMITED
COMPANY LIMITED BY GUARANTEE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2016

2 Judgements and key sources of estimation uncertainty

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

Fixed asset valuation

Fixed assets are initially recorded at cost and depreciated over their useful economic life. See accounting policy 1.5.

Useful economic life is based on the anticipated time that the asset will be in use by the company. This is based on historic experience and asset replacement policies.

Dilapidations provision

See accounting policy 1.11.

The dilapidations provision is based on an average cost per square metre for each of the properties leased to provide an estimate of likely costs. This is based on historic experience of likely costs but the eventual cost may differ.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	Year ended 31 December 2016	9 month period ended 31 December 2015
	£	£
Turnover		
Case fees	30,991,819	23,474,032
	<u> </u>	<u> </u>
Other significant revenue		
Interest income	26,501	18,971
	<u> </u>	<u> </u>
Turnover analysed by geographical market		
	2016	2015
	£	£
UK	30,991,819	23,474,032
	<u> </u>	<u> </u>

**THE OMBUDSMAN SERVICE LIMITED
COMPANY LIMITED BY GUARANTEE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2016

4 Operating surplus

	Year ended 31 December 2016	9 month period ended 31 December 2015
	£	£
Operating surplus for the period is stated after charging/(crediting):		
Fees payable to the company's auditor for the audit of the company's financial statements	10,800	12,900
Depreciation of owned tangible fixed assets	867,593	635,719
Loss on disposal of tangible fixed assets	2,274	-
Amortisation of intangible assets	977,748	244,913
Operating lease charges	1,010,907	599,573

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was: 644 (December 2015: 618)

	Year ended 31 December 2016	9 month period ended 31 December 2015
	Number	Number
Management and administration	644	618

Their aggregate remuneration comprised:

	Year ended 31 December 2016	9 month period ended 31 December 2015
	£	£
Wages and salaries	17,047,835	11,426,353
Social security costs	1,407,132	983,097
Pension costs	644,271	441,332
	<u>19,099,238</u>	<u>12,850,782</u>

THE OMBUDSMAN SERVICE LIMITED
COMPANY LIMITED BY GUARANTEE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

6 Directors' remuneration

	Year ended 31 December 2016 £	9 month period ended 31 December 2015 £
Remuneration for qualifying services	328,125	216,917
Company pension contributions to defined contribution schemes	26,129	21,748
	<u>354,254</u>	<u>238,665</u>

The number of Directors for whom retirement benefits are accruing under defined contribution schemes amounted to 6 (2015 - 5).

Remuneration disclosed above include the following amounts paid to the highest paid director:

Remuneration for qualifying services	190,000	135,250
Company pension contributions to defined contribution schemes	23,750	17,545
	<u> </u>	<u> </u>

7 Interest receivable and similar income

	Year ended 31 December 2016 £	9 month period ended 31 December 2015 £
Interest income		
Interest on bank deposits	26,501	18,971
	<u> </u>	<u> </u>

Investment income includes the following:

Interest on financial assets not measured at fair value through surplus or deficit	26,501	18,971
	<u> </u>	<u> </u>

8 Amounts written off investments

	Year ended 31 December 2016 £	9 month period ended 31 December 2015 £
Fair value gains/(losses) on financial instruments		
Amounts written back to/(written off) fair value through profit or loss	-	(14,861)
Change in value of financial assets held at fair value through profit or loss	53,438	-
	<u>53,438</u>	<u>(14,861)</u>

**THE OMBUDSMAN SERVICE LIMITED
COMPANY LIMITED BY GUARANTEE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2016

9 Taxation

	Year ended 31 December 2016 £	9 month period ended 31 December 2015 £
UK corporation tax on profits for the current period	16,680	(3,012)
Adjustments in respect of prior periods	1,818	-
Total current tax	<u>18,498</u>	<u>(3,012)</u>
Deferred tax		
Origination and reversal of timing differences	(5,603)	-
Total deferred tax	<u>(5,603)</u>	<u>-</u>
Total tax charge/(credit)	<u>12,895</u>	<u>(3,012)</u>

The charge for the year can be reconciled to the surplus per the income statement as follows:

	Year ended 31 December 2016 £	9 month period ended 31 December 2015 £
Profit before taxation	<u>193,197</u>	<u>1,825,165</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 20% (2015: 20%)	38,639	365,033
Adjustments in respect of prior years	1,818	(6,573)
Deferred tax charge on investment gain	(5,603)	-
Exempt activity	(21,959)	(361,472)
Taxation for the period	<u>12,895</u>	<u>(3,012)</u>

The company is liable to corporation tax on its investment income but is exempt from corporation tax on its Alternative Dispute Resolution activities, which are not considered to be trading activities for the purposes of taxation.

**THE OMBUDSMAN SERVICE LIMITED
COMPANY LIMITED BY GUARANTEE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2016

10 Intangible fixed assets

	Software £
Cost	
At 1 January 2016	1,838,908
Additions	17,232
At 31 December 2016	<u>1,856,140</u>
Amortisation and impairment	
At 1 January 2016	487,794
Amortisation charged for the year	977,748
At 31 December 2016	<u>1,465,542</u>
Carrying amount	
At 31 December 2016	<u>390,598</u>
At 31 December 2015	<u>1,351,114</u>

11 Tangible fixed assets

	Fixtures, fittings and office equipment £	Computer equipment £	Total £
Cost			
At 1 January 2016	2,303,889	1,712,693	4,016,582
Additions	91,615	137,291	228,906
Disposals	(2,345)	-	(2,345)
At 31 December 2016	<u>2,393,159</u>	<u>1,849,984</u>	<u>4,243,143</u>
Depreciation and impairment			
At 1 January 2016	643,500	1,035,537	1,679,037
Depreciation charged in the year	490,495	377,098	867,593
Eliminated in respect of disposals	(71)	-	(71)
At 31 December 2016	<u>1,133,924</u>	<u>1,412,635</u>	<u>2,546,559</u>
Carrying amount			
At 31 December 2016	<u>1,259,235</u>	<u>437,349</u>	<u>1,696,584</u>
At 31 December 2015	<u>1,646,016</u>	<u>691,528</u>	<u>2,337,544</u>

**THE OMBUDSMAN SERVICE LIMITED
COMPANY LIMITED BY GUARANTEE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2016

12 Fixed asset investments

	2016	2015
	£	£
Managed investment portfolio	3,017,740	564,302
	<u>3,017,740</u>	<u>564,302</u>
Carrying amount	3,017,740	564,302
	<u>3,017,740</u>	<u>564,302</u>

The company has valued investments at market value.

Movements in fixed asset investments

	Investments other than loans £
Cost or valuation	
At 1 January 2016	564,302
Additions	3,009,301
Valuation changes	53,438
Disposals	(609,301)
	<u>3,017,740</u>
At 31 December 2016	3,017,740
Carrying amount	
At 31 December 2016	3,017,740
	<u>3,017,740</u>
At 31 December 2015	564,302
	<u>564,302</u>

13 Financial instruments

		2016	2015
		£	£
Carrying amount of financial assets			
Debt instruments measured at amortised cost	Note 14	3,530,333	6,192,474
Investments measured at market value	Note 12	3,017,740	564,302
		<u>3,017,740</u>	<u>564,302</u>
Carrying amount of financial liabilities			
Measured at amortised cost	Note 15	5,911,800	5,236,965
		<u>5,911,800</u>	<u>5,236,965</u>

**THE OMBUDSMAN SERVICE LIMITED
COMPANY LIMITED BY GUARANTEE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2016

14 Debtors		2016	2015
		£	£
Amounts falling due within one year:			
Trade debtors		3,530,333	6,185,540
Other debtors		-	6,934
Prepayments and accrued income		1,408,274	1,100,469
		<u>4,938,607</u>	<u>7,292,943</u>
15 Creditors: amounts falling due within one year		2016	2015
		£	£
Trade creditors		1,127,026	1,716,227
Corporation tax		16,679	1,976
Other taxation and social security		1,053,119	829,302
Other creditors		140,195	124,292
Accruals and deferred income		2,404,428	1,010,354
		<u>4,741,447</u>	<u>3,682,151</u>
16 Creditors: amounts falling due after more than one year		2016	2015
		£	£
Accruals and deferred income		2,240,151	2,386,092
		<u>2,240,151</u>	<u>2,386,092</u>
17 Provisions for liabilities		2016	2015
	Notes	£	£
Dilapidations provision		450,097	407,097
Deferred tax liabilities	18	1,688	7,291
		<u>451,785</u>	<u>414,388</u>
Movements on provisions apart from retirement benefits and deferred tax liabilities:			
			Dilapidations provision
			£
At 1 January 2016			407,097
Additional provisions in the year			43,000
			<u>450,097</u>
At 31 December 2016			<u>450,097</u>

**THE OMBUDSMAN SERVICE LIMITED
COMPANY LIMITED BY GUARANTEE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2016

18 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2016 £	Liabilities 2015 £
Balances:		
Gain on investments	1,688	7,291
	<u> </u>	<u> </u>
Movements in the year:		2016 £
Liability at 1 January 2016		7,291
Credit to profit or loss		(5,603)
		<u> </u>
Liability at 31 December 2016		<u>1,688</u>

19 Retirement benefit schemes

	Year ended 31 December 2016 £	Period ended 31 December 2015 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	644,271	441,332
	<u> </u>	<u> </u>

The company provides a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The charge to income and expenditure in respect of defined contribution schemes was £644,271 (2015 - £441,332).

20 Members' liability

The company is limited by guarantee, not having a share capital and consequently the liability of members is limited, subject to an undertaking by each member to contribute to the net assets or liabilities of the company on winding up such amounts as may be required not exceeding £1.

**THE OMBUDSMAN SERVICE LIMITED
 COMPANY LIMITED BY GUARANTEE
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2016

21 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2016	2015
	£	£
Within one year	1,012,111	86,390
Between two and five years	2,580,216	3,591,356
In over five years	4,300,000	5,160,000
	<u>7,892,327</u>	<u>8,837,746</u>

22 Related party transactions

Remuneration of key management personnel

The remuneration, including pension contributions and National Insurance contributions, of key management personnel, comprising the Directors and the Senior Executive team, is as follows.

	Year ended	9 month
	31 December	period ended
	2016	31 December
	£	2015
		£
Aggregate remuneration	<u>1,345,781</u>	<u>1,267,837</u>

Included in the above are payments of £14,375 to the four non-executive directors in post for the full year, £10,000 to the three non-executive directors appointed during the year and £45,000 to the Chair. In the 9 month period ended 31 December 2015 there were payments of £9,375 to each of the five non-executive directors and £33,750 to the Chair.

The remuneration of key management personnel is set by the Remuneration Committee and is benchmarked against remuneration of similar sized companies according to data provided by Towers Watson.

**THE OMBUDSMAN SERVICE LIMITED
COMPANY LIMITED BY GUARANTEE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2016

23 Cash generated from operations

	Year ended 31 December 2016 £	Period ended 31 December 2015 £
Surplus for the year after tax	180,302	1,828,177
Adjustments for:		
Taxation charged/(credited)	12,895	(3,012)
Investment income	(26,501)	(18,971)
Loss on disposal of tangible fixed assets	2,274	-
Amortisation and impairment of intangible assets	977,748	244,913
Depreciation and impairment of tangible fixed assets	867,593	635,719
Amounts written off investments	(53,438)	14,861
Increase/(decrease) in provisions	43,000	(64,593)
Movements in working capital:		
Decrease in debtors	2,354,336	2,180,775
Increase/(decrease) in creditors	898,652	(4,129,590)
Cash generated from operations	<u>5,256,861</u>	<u>688,279</u>