Develop Training Group Limited

Annual report and consolidated financial statements

Registered number 06299573

30 September 2016



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Company information

Directors	A King C Wood J Kerr S Kelsall C Wall C A Rogerson
Secretary and registered office	S Kelsall Derby Training Centre Ascot Drive Derby DE24 8GW
Company number	06299573
Auditor	KPMG LLP St Nicholas House Park Row Nottingham NG1 6FQ

Strategic report

The directors present their strategic report together with the audited financial statements for the year ended 30 September 2016.

Principal activity

The principal activity of the Group is as a provider of accredited technical, compliance and behavioural training. The Group operates principally in the UK through several regional training centres and delivers training to a broad range of clients but, in particular, to those operating in the utilities, telecommunications and facilities management sectors.

Review of business

Over this, and the preceding, financial year the Group reviewed its strategic position and subsequently followed a course of action to strengthen its operational structure and reinvigorate its commercial approach. The directors are therefore delighted to report that these actions have led to turnover growth over the year of 13.5% and improved asset and trainer utilisation. Accordingly, gross profit margins have risen from 33% to 48%, as a percentage of turnover, and the Group's operating losses before amortisation and depreciation have been turned from a loss of £66,000 in 2014/15 to a profit of £1.322m in 2015/16.

During the financial year the group strengthened its financial position through the successful renegotiation and extension of its banking facilities, and by receiving support from a debt provider through the write-down of £712,000 of loan notes and £65,000 of accrued interest on the loan notes.

The directors can also report that, despite the effects over the summer of 2016 of general economic and market uncertainty provoked by the UK's referendum over membership of the European Union and proposals surrounding the introduction of an Apprenticeship Levy, underlying sales order intake has nevertheless remained robust. On a 13-week basis order input at the year-end stood at £168,000 per week, which is just 10% below the average for year but 23% higher than its low point for the year in August 2016.

Measures of sales, profitability and order intake are considered to be the Group's key performance indicators. Accordingly although the directors are mildly disappointed in the Group's recent order intake, they are delighted with the turnaround in underlying sales growth and profitability. They are confident in the group's future prospects for continued profitable growth and improved financial stability.

There is a high level of variability in demand across the sectors in which the group operates which is influenced by, amongst other factors, the effects of seasonality and scope, access to public sector funding and the effects of Government legislation. Nevertheless the market for technical and compliance training in the UK remains strong, particularly so with regard to ensuring safe working practices and meeting the country's utility sector skills shortages. Consequently, as the UK economy grows and the group continues to invest in appropriate web-based systems, training material and its network of training centres, the directors are optimistic that the group will be in a position to trade increasingly profitably and progressively, and benefit from opportunities within the training sector.

This high level of optimism for the future is, however, countered by appropriate prudence. The directors believe that the future performance of the business may be subject to a number of key risk areas, some of which fall outside of its direct influence. These include the business failure or change in ownership of major clients, the loss of a major contract, changes to UK monetary and fiscal policy and the influence of the wider global economy on the UK's economic development.

Strategic report *(continued)*

Key performance indicators

	2016 £000	2015 £000
Turnover	**10,468**	9,222
Gross profit	**5,043**	3,024
Gross profit margin (%)	**48.2%**	32.8%
Net profit/(loss)	**549**	(1,815)

Financial risk management

The Group has an established, structured approach to risk management. The Group's activities expose it to a variety of financial risks, including the effects of market changes, credit, liquidity, cash flow and interest rates risks. The Group has adopted risk management policies that seek to mitigate these risks in an appropriate manner. Financial assets that expose the Group to financial risk consist principally of trade debtors and cash. Financial liabilities that expose the Group to financial risk consist principally of trade creditors and loans. The Group's finance department implements the policies set by the board of directors to best mitigate against these.

Exposure to Market Risk

The Group is exposed to market risk as a result of its operations, particularly relating to the demand for its services. However, the directors consider that they are close enough to the market to be able to react quickly to changes and hence the impact on the Group's performance. Further comfort is drawn from the legislative and compliance requirements that drive the need for the Group's services amongst its customer base.

Credit Risk

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations. The Group performs ongoing credit evaluation of its customers' financial condition and has implemented policies which require appropriate credit checks on potential customers before credit sales are made.

Liquidity & Cash Flow Risk

Liquidity and cash flow risk is the risk of encountering difficulty in meeting financial liabilities. The Group aims to mitigate liquidity risk by managing cash generation and applying robust cash forecasting as part of its day to day control procedures. The group maintains sufficient cash and open committed credit lines from its bankers to meet its funding requirements.

By order of the board

S Kelsall
Director

C Wood
Director

Dated: 24/11/16

Directors' report

The directors present their report together with the audited financial statements for the year ended 30 September 2016.

Results and dividends

The profit for the year is shown in the attached profit and loss account. Ordinary dividends of £nil were paid during the period *(2015: £nil)*.

Directors

The directors who held office during the year were as follows:

A King	
C Wood	
J Kerr	
S Kelsall	(appointed 1 October 2015)
C Wall	(appointed 25 May 2016)
C A Rogerson	(appointed 25 May 2016)

Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

S Kelsall
Director

C Wood
Director

Registered office

Derby Training Centre
Ascot Drive
Derby
DE24 8GW

Dated: 24/11/16

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 group and parent company and of the profit or loss 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

KPMG

Independent auditor's report to the members of Develop Training Group Limited

We have audited the financial statements of Develop Training Group Limited for the year ended 30 September 2016 set out on pages 7 to 26. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 auditors' 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 September 2016 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' and Strategic Reports for the financial year for which the financial statements are prepared is consistent with the financial statements.

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 by the parent company, 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.

Craig Parkin *(Senior Statutory Auditor)*

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St Nicholas House
Park Row
Nottingham
NG1 6FQ

Dated: 24th November 2016

Consolidated profit and loss account

for the year ended 30 September 2016

	Note	2016 £000	2015 £000
Turnover	2	**10,468**	9,222
Cost of sales		**(5,425)**	(6,198)
Gross profit		**5,043**	3,024
Venue operating costs		**(1,643)**	(994)
Central support functions		**(2,354)**	(1,930)
Other administrative expenses		**(436)**	(166)
Waiver of loan	19	**712**	-
Depreciation and goodwill amortisation		**(737)**	(778)
Net administrative expenses		**(4,458)**	(3,868)
Group operating profit/(loss)	3	**585**	(844)
Interest payable and similar charges	6	**(128)**	(972)
Profit/(loss) on ordinary activities before taxation		**457**	(1,816)
Taxation on profit/(loss) on ordinary activities	7	**92**	1
Profit/(loss) on ordinary activities after taxation		**549**	(1,815)

All amounts relate to continuing activities.

All recognised gains and losses in the current and prior year are included in the profit and loss account.

The accompanying notes on pages 13 to 26 are an integral part of the financial statements.

Consolidated balance sheet

for the year ended 30 September 2016

	Note	2016		2015	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	*9*		**6,619**		7,212
Tangible assets	*10*		**273**		322
			6,892		7,534
Current assets					
Debtors	*12*	**2,036**		1,950	
Cash at bank and in hand		**-**		-	
		2,036		1,950	
Creditors: amounts falling due within one year	*13*	**(2,766)**		(5,612)	
Net current liabilities			**(730)**		(3,662)
Total assets less current liabilities			**6,162**		3,872
Creditors: amounts falling due after more than one year	*14*		**(1,741)**		-
Net assets			**4,421**		3,872
Capital and reserves					
Called up share capital	*16*		**100**		100
Share premium			**15,662**		15,662
Other reserves			**(4)**		(4)
Profit and loss account			**(11,337)**		(11,886)
Shareholders' funds			**4,421**		3,872

The financial statements were approved by the board of directors and authorised for issue on 24 November 2016

The accompanying notes on pages 13 to 26 are an integral part of the financial statements.

S Kelsall
Director

C Wood
Director

Company registration number : 06299573

Company balance sheet

for the year ended 30 September 2016

	Note	2016		2015	
		£000	**£000**	£000	£000
Fixed assets					
Fixed asset investments	*11*		**6,349**		6,349
Current assets					
Debtors (including £nil *(2015: £7,351,000)* due after one year)	*12*	**2**		7,351	
Creditors: amounts falling due within one year	*13*	**(675)**		(3,300)	
Net current (liabilities)/assets			**(673)**		4,051
Total assets less current liabilities			**5,676**		10,400
Creditors: amounts falling due after more than one year	*14*		**(1,741)**		-
Net assets			**3,935**		10,400
Capital and reserves					
Called up share capital	*16*		**100**		100
Share premium			**15,662**		15,662
Other reserves			**(4)**		(4)
Profit and loss account			**(11,823)**		(5,358)
Shareholders' funds			**3,935**		10,400

The financial statements were approved by the board of directors and authorised for issue on 24 November 2016

S Kelsall
Director

C Wood
Director

Company registration number : 06299573

Consolidated statement of changes in equity

	Called up share capital £000	Share premium £000	Other reserves £000	Profit and loss account £000	Total equity £000
Balance at 1 October 2014	100	-	(4)	(10,071)	(9,975)
Total comprehensive income for the period					
Loss for the year	-	-	-	(1,815)	(1,815)
Other comprehensive income	-	-	-	-	-
Transactions with owners, recorded directly in equity					
Debt for equity restructure	-	15,662	-	-	15,662
Balance at 30 September 2015	**100**	**15,662**	**(4)**	**(11,886)**	**3,872**
Balance at 1 October 2015	100	15,662	(4)	(11,886)	(3,872)
Total comprehensive income for the period					
Profit for the year	-	-	-	549	549
Other comprehensive income	-	-	-	-	-
Balance at 30 September 2016	**100**	**15,662**	**(4)**	**(11,337)**	**4,421**

Company statement of changes in equity

	Called up share capital £000	Share premium £000	Other reserves £000	Profit and loss account £000	Total equity £000
Balance at 1 October 2014	100	-	(4)	(5,150)	(5,054)
Total comprehensive income for the period					
Loss for the year	-	-	-	(208)	(208)
Other comprehensive income	-	-	-	-	-
Transactions with owners, recorded directly in equity					
Debt for equity restructure	-	15,662	-	-	15,662
Balance at 30 September 2015	**100**	**15,662**	**(4)**	**(5,358)**	**10,400**
Balance at 1 October 2015	100	15,662	(4)	(5,358)	10,400
Total comprehensive income for the period					
Profit for the year before intercompany provision	-	-	-	549	549
Provision for intercompany loan				(7,014)	(7,014)
Loss for the year	-	-	-	(6,465)	(6,465)
Other comprehensive income	-	-	-	-	-
Balance at 30 September 2016	**100**	**15,662**	**(4)**	**(11,823)**	**3,935**

Consolidated cash flow statement

for the year ended 30 September 2016

	Note	2016 £000	2015 £000
Cash flows from operating activities			
Profit/(loss) for the year		**549**	(1,815)
Adjustments for:			
Depreciation, amortisation and impairment		**737**	778
Write off of BUIL loan note		**(712)**	-
Interest payable and similar charges		**128**	972
Taxation		**(92)**	(1)
		610	(66)
Increase in trade and other debtors		**(4)**	(197)
Decrease in trade and other creditors		**(425)**	(274)
		181	(537)
Tax received		**10**	461
Net cash from operating activities		**191**	(76)
Cash flows from investing activities			
Acquisition of tangible fixed assets		**(95)**	(29)
Net cash from investing activities		**(95)**	(29)
Cash flows from financing activities			
Proceeds from BUIL loan		**750**	-
Bank interest paid		**(125)**	(128)
Repayment of borrowings		**(550)**	(42)
Other loan interest		**-**	(73)
Net cash from financing activities		**75**	(243)
Net increase/(decrease) in cash and cash equivalents		**171**	(348)
Cash and cash equivalents at 1 October		**(437)**	(89)
Cash and cash equivalents at 30 September		**(266)**	(437)

Notes
(forming part of the financial statements)

1 Accounting policies

Develop Training Group Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

In the transition to FRS 102 from old UK GAAP, the Group has made no measurement and recognition adjustments.

In the transition to FRS 102 from old UK GAAP, the Company has made measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected financial position and financial performance of the Company is provided in note 22.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

- Business combinations – Business combinations that took place prior to 1 October 2014 have not been restated.
- Lease arrangements – in order to determine whether an arrangement contains a lease, the Group and Company has analysed facts and circumstances existing at 1 October 2014 rather than commencement date of the arrangement.
- Lease incentives – for leases commenced before 1 October 2014 the Group and Company continued to account for lease incentives under previous UK GAAP

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation has not been included a second time; and,
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 21.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

Notes *(continued)*

1 Accounting policies *(continued)*

1.2 Basis of consolidation

The consolidated financial statements incorporate the results of Develop Training Group Limited and all of its subsidiary undertakings as at 30 September 2016 under the acquisition method of accounting as required. Where the acquisition method is used, the results of the subsidiary undertakings are included form the date of acquisition.

In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

1.3 Going concern

The performance of the Group has improved materially during 2016 over 2015. The market outlook is strong and the Group is well placed to benefit from this. At 30 September 2016, the Group has reported a profit after taxation for the year amounting to £549,000 *(2015: loss of £1,815,000)* and at the balance sheet date has reported net current liabilities of £730,000 *(2015: net current liabilities of £3,662,000).*

During 2016, the company renewed its facilities with its bank. The projections for the business show continued growth and ongoing compliance under its banking facilities.

Therefore the Company's directors have a reasonable expectation that the Group is sufficiently capitalised to continue in operational existence for the foreseeable future. As such, the Company's directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.4 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Cash and cash equivalents

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

1.5 Goodwill

Goodwill arising on an acquisition is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Positive goodwill is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life. Since Develop Training Group Limited acquired Develop Training Limited in 2007, the Directors have estimated the useful life of their investment to be 20 years. With the positive developments in the Group and market over the last year, this assessment continues to be reasonable.

Impairment tests on the carrying value of goodwill are undertaken at the end of the first full accounting year following acquisition; and in other periods if event or changes in circumstances indicate that the carrying value may not be recoverable.

1.6 Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes on sales. Turnover is generally recognised when the risks and rewards of the service has passed to the customer which is generally on delivery of courses.

Notes *(continued)*

1 Accounting policies *(continued)*

1.7 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is provided to write off the cost of all tangible fixed assets, over their useful economic lives. It is calculated at the following rates:

Leasehold property	- over the period of the lease
Plant and machinery	- over 4 to 5 years
Fixtures and fittings	- over 5 to 10 years
Office equipment	- over 5 to 10 years
Computer equipment	- over 4 to 5 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.8 Valuation of investments

Investments held as fixed assets are stated at cost less any provision for impairment. Investment held as current assets are stated at the lower of cost and net realisable value.

1.9 Interest receivable and Interest payable

Interest payable and similar charges are charged to profit over the term of the debt so that the amounts charged is at a constant rate on the carrying amount. Finance costs include issue costs, which are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.10 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes *(continued)*

1 Accounting policies *(continued)*

1.11 Leased assets

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the term of the lease. Payments (including costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight line basis over the term of the lease. Lease incentives received are recognised in the profit and loss over the term of the lease as an integral part of the total lease expense.

1.12 Pension costs

Contributions to the defined contribution pension scheme are charged to the profit and loss account in the period during which services are rendered by employees.

1.13 Related party disclosures

The company has taken advantage of the exemption conferred by FRS102.33.1A not to disclose transactions with its wholly owned subsidiaries.

2 Turnover

Turnover is wholly attributable to the principal activity of the Group and arises solely within the United Kingdom.

3 Operating profit/(loss)

	2016	2015
	£000	£000
This is arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	**144**	185
Amortisation of positive goodwill	**593**	593
Operating leases - hire of plant and machinery	**189**	212
- hire of other assets	**420**	500
Loan note write off (note 19)	**(712)**	-
BUIL monitoring fee write off (note 19)	**(100)**	-
Auditor's remuneration:		
- audit of these financial statements	**5**	5
- audit of financial statements of subsidiaries pursuant to legislation	**24**	23
- other services relating to taxation	**9**	6

During the year, the Directors re-assessed the allocation of costs between Administrative Expenses and Cost of Sales. As a result, £741,000 of costs previously treated as Cost of Sales are now reported in Administrative expenses. Overall, there is no impact on the reported Operating Profit. The 2015 reported Profit and Loss has not been restated.

4 Employees

	2016	2015
	£000	£000
Staff costs (including directors) consists of:		
Wages and salaries	**3,085**	2,830
Social security costs	**299**	288
Other pension costs (note 15)	**168**	164
	3,552	3,282

Notes *(continued)*

4 Employees *(continued)*

The average number of employees (including directors) during the year was as follows:

	2016 Number	2015 Number
Sales	**10**	13
Training staff	**43**	43
Catering and maintenance	**9**	7
Administration and management	**41**	37
	103	100

5 Directors' remuneration

	2016 £000	2015 £000
Directors' emoluments	**353**	232
Amounts paid to third parties in respect of directors' services	**34**	54
Company contributions to money purchase pension schemes	**13**	8
	400	294

The total amount payable to the highest paid director in respect of emoluments was £143,274 *(2015: £143,068)* and Company pension contributions of £7,800 *(2015: £7,800)* were made to a money purchase scheme on his behalf.

Retirement benefits are accruing to five directors *(2015: two directors)* under money purchase schemes.

6 Interest payable and similar charges

	2016 £000	2015 £000
Interest on banks loans and overdrafts	**189**	201
All other loans (excluding loans from group companies)	**-**	771
Amortisation of loan issue costs	**4**	-
Loan interest written off	**(65)**	-
	128	972

Notes *(continued)*

7 Taxation on profit/(loss) on ordinary activities

	2016 £000	2015 £000
UK corporation tax:		
Current tax on profit/(loss) of the year	-	-
Adjustments in respect of previous periods	-	(1)
Total current tax	-	(1)
Deferred tax:		
Origination and reversal of timing differences	(117)	-
Adjustments in respect of prior periods	13	-
Effect of tax rate change on opening balance	12	-
Tax credit on profit/(loss) on ordinary activities	(92)	(1)

The current tax for the year is lower *(2015: lower)* than the standard rate of corporation tax in the UK of 20% *(2015: 20.5%)*.

	2016 £000	2015 £000
Profit/(loss) for the year	549	(1,815)
Total tax credit	92	1
Profit/(loss) excluding taxation	457	(1,816)
Tax charge/(credit) using the corporation tax in the UK of 20% *(2015: 20.5%)*	91	(372)
Effect of:		
Fixed asset differences	94	93
Expenses not deductible	38	103
Income not taxable	(143)	-
Adjustment to tax charge in respect of prior periods	13	(1)
Reduction in tax rate on deferred tax balances	20	3
Effect of tax rate change on opening deferred tax	12	-
Deferred tax (recognised)/not recognised	(217)	173
Total tax credit	(92)	(1)

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 30 September 2016 has been calculated based on these rates.

8 Loss for the financial year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in the financial statements. The Company loss of £6,465,000 for the year ended 30 September 2016 is a result of providing for an intercompany loan to its wholly owned subsidiary DTL. Excluding the impact of this intercompany transaction, the Company would have reported a profit of £549,000.

Notes *(continued)*

9 Intangible fixed assets

Group	Goodwill on consolidation £000
Cost:	
At 1 October 2015 and 30 September 2016	11,866
Accumulated amortisation:	
At 1 October 2015	4,654
Provided for the year	593
At 30 September 2016	5,247
Net book value:	
At 30 September 2016	**6,619**
At 30 September 2015	7,212

The directors are satisfied that there is no impairment in respect of the recorded carrying value of goodwill.

Impairment

The directors have performed a net present value calculation in accordance with FRS 102 Section 27 (the relevant accounting standard) to assess whether any impairment of the carrying value of investment is required. The directors have used forecast cash flows for 2017 to 2021 (which were based on forecast sales, profits and working capital movements) as the basis for the calculation and then applied a growth rate of 0% into perpetuity and a discount rate of 8%. The forecast sales and profits show an increase from the sales and profits achieved in 2016 and working capital movements that provide support to the underlying increase in cash flows that form the basis of the calculation. The directors are aware that if these forecast sales, profits and working capital movements are not achieved then there may need to be an impairment of the carrying value of the goodwill.

Notes *(continued)*

10 Tangible fixed assets

Group	Leasehold land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	Other fixed assets £000	Total £000
Cost:					
At 1 October 2015	102	1,520	245	222	2,089
Additions	43	9	21	22	95
At 30 September 2016	145	1,529	266	244	2,184
Accumulated depreciation:					
At 1 October 2015	87	1,278	218	184	1,767
Provided in the year	12	93	13	26	144
At 30 September 2016	99	1,371	231	210	1,911
Net book value:					
At 30 September 2016	**46**	**158**	**35**	**34**	**273**
At 30 September 2015	15	242	27	38	322

11 Fixed asset investments

Company	Group undertakings £000
Cost:	
At 1 October 2015 and 30 September 2016	**6,349**

Subsidiary undertakings, associated undertakings and other investments

The principal undertakings in which the company's interest at the year end is 20% or more are as follows:

Subsidiary	Proportion of voting rights and ordinary share capital held	Nature of business
Develop Training Limited	100%	Provision of technical and behavioural training skills to employees of the utility and facilities management marketing sectors
Develop Solutions Limited *	100%	Dormant
Develop Training Employment Benefit Limited	100%	Trustee

* held indirectly

Notes *(continued)*

12 Debtors

	Group		Company	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Trade debtors	**1,283**	1,353	**-**	-
Amounts due from group undertakings	**-**	-	**-**	7,351
Corporation tax recoverable	**-**	10	**-**	-
Prepayments and accrued income	**571**	491	**-**	-
Other debtors	**-**	6	**2**	-
Deferred taxation (see below)	**182**	90	**-**	-
	2,036	1,950	**2**	7,351

Included within amounts due from group undertakings is £nil *(2015: £7,351,000)* due in more than one year.

	Group Deferred taxation	**Company Deferred taxation**
	£000	**£000**
At 1 October 2015	90	-
Credited to the profit and loss account	92	-
At 30 September 2016	182	-

Group	**2016**	2015
	£000	£000
The amount of deferred tax provided is as follows:		
Accelerated capital allowances	**30**	20
Short timing differences	**14**	15
Tax losses carried forward and other deductions	**138**	55
	182	90

There are £419,000 *(2015: £1,511,265)* of unrecognised losses within the Company for which a deferred tax asset of £71,221 *(2015: £302,235)* has not been recognised.

Notes *(continued)*

13 Creditors: amounts falling due within one year

	Group		Company	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Bank loans (secured) (note 14)	**600**	2,850	**600**	2,850
Overdraft (note 14)	**266**	437	**58**	447
Trade creditors	**1,018**	1,320	**-**	-
Amounts owed to group undertakings	**-**	-	**3**	3
Taxation and social security	**335**	275	**-**	-
Accruals and deferred income	**547**	730	**14**	-
	2,766	5,612	**675**	3,300

14 Creditors: amounts falling due after more than one year

	Group		Company	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Bank loans (secured)	**1,700**	-	**1,700**	-
Other loans	**38**	-	**38**	-
Accruals and deferred income	**3**	-	**3**	-
	1,741	-	**1,741**	-

Maturity of debt

	2016	2015
Loans and overdrafts	**£000**	£000
In one year or less, or on demand	**866**	3,287
In more than one year, but not more than two years	**1,300**	-
In more than two years, but not more than five years	**438**	-
	1,738	-

The loans are secured by a fixed and floating charge over the assets of the company.

Bank loans

The company has a bank loan with HSBC (Tranche 'B' facility). The Tranche 'B' facility (£2,300,000) is repayable by instalments. The remaining balance is repayable by increasing monthly instalments with the final instalment due on 30 November 2018. Interest is charged on the Tranche 'B' facility at 4% above LIBOR.

Notes *(continued)*

14 Creditors: amounts falling due after more than one year *(continued)*

Loan notes

On 21 July 2015, Barclays Unquoted Investments Limited, the holders of the loan notes entered into a capitalisation deed with the Company and converted their loan notes and all accrued interest into equity.

The transaction resulted in £9,094,712 of other loans, £5,796,580 of accrued interest at the 30 September 2014 balance sheet and £770,800 of interest accrued during the year ended 30 September 2015 being converted to equity in order to more accurately reflect the nature of the investment.

On 27 October 2015 Barclays Unquoted Investments Ltd provided £750,000 of further funding to the Company. On 21 September 2016 acting in their capacity as loan note provider Barclays Unquoted Investments Ltd waived their right to 95% of the loan and the accrued interest thereon, resulting in a £712,500 credit to the profit and loss account.

Security

The loan is guaranteed by both Develop Training Group Limited and Develop Training Limited.

15 Pensions

The group operates two defined contribution pension schemes. The assets of the schemes are held separately from those of the group in independently administered funds. The pension charge amounted to £168,000 *(2016: £164,176)*. Contributions amounting to £13,156 *(2015: £13,816)* were payable to the fund and are included in creditors.

16 Share capital

	2016	2015
	£000	£000
Allotted, called up and fully paid:		
8,000,000 *(2014: 8,000,000)* 'A' ordinary shares of 1p each	**80**	80
2,000,000 *(2014: 2,000,000)* 'B' ordinary shares of 1p each	**20**	20
1 *(2015:1)* 'Y' ordinary share of 1p each	**-**	-
1 *(2015:1)* "Z" ordinary share of 1p each	**-**	-
	100	100

On 21 July 2015 one 'Y' ordinary share was issued. The equity share was acquired by Barclays Unquoted Investments Limited pursuant to their debt capitalisation.

Included in share capital is £1 *(2015: £1)* relating to one 'Z' ordinary share which prior to transition to FRS 102 was classified as a liability. The classification as a liability was on the basis that the share had a contracted right to a dividend at a fixed percentage of profit. During the year, the 'Z' shareholders agreed to forego their right to a dividend on the shares and as such has been reclassified to share capital.

Ranking

Dividends – All shares rank pari passu for any dividend paid

Notes *(continued)*

16 Share capital *(continued)*

Proceeds on a sale, listing or liquidation

The proceeds payable to the shareholders in respect of their shares ('shareholder proceeds') in respect of a sale, listing or liquidation shall be allocated among them so that they receive the following amounts in the following manner and order of priority:

(a) Firstly, in paying the 'Y' ordinary shareholder an amount equal to the sum of £8,000,000 plus the Y' ordinary share multiplier of such exit proceeds/surplus assets and retained profits;

(b) Secondly, in paying the 'Y' and 'Z' ordinary shareholders an amount equal to 80% and in paying the 'B' ordinary shareholders an amount equal to 20% of the next £6,978,750 of such exit proceeds/surplus assets and retained profits;

(c) Thirdly in paying the 'Y' and 'Z' ordinary shareholders an amount equal to 70% and in paying the 'B' ordinary shareholders an amount equal to 30% of the next £2,550,143 of such exit proceeds/surplus assets and retained profits;

(d) Finally, in paying the 'A' ordinary shareholders an amount equal to 70% and in paying the 'B' ordinary shareholders an amount equal to 30% of any surplus exit proceeds/surplus assets and retained profits.

17 Financial instruments

Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	2016	2015
	£000	£000
Assets measured at amortised cost	**1,283**	1,353
Liabilities measured at amortised cost	**3,622**	4,607

Notes *(continued)*

18 Commitments under operating leases

Non-cancellable operating lease rentals are payable as follows:

	Land and buildings		Other	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Less than one year	**349**	419	**187**	150
Between one and five years	**1,281**	1,581	**291**	143
More than five years	**825**	1,169	**-**	-
	2,455	3,169	**478**	293

During the year £609,000 was recognised as an expense in the profit and loss account in respect of operating leases *(2015: £712,000).*

19 Related party disclosures

Loans and transactions concerning directors and officers of the company

Barclays Unquoted Investments Limited ('BUIL') has a majority shareholding in Develop Training Group Limited. During 2016, BUIL provided finance to the company in the form of interest bearing loan notes for £750,000. Interest charged on the loan notes during 2016 totalled £68,493. On 21 September 2016, 95% of the BUIL loan notes together with the interest accrued on this amount, were waived by BUIL acting in their capacity as debt provider. In addition the monitoring fee incurred to date of £100,000 issued by BUIL has also been waived.

During the prior year, BUIL also provided finance to the company in the form of interest bearing loan notes. Interest charged on the loan notes during 2015 totalled £770,800. On 21 July 2015, the BUIL loan notes, together with the loan notes transferred to them from Mr R Tompsett during 2014 were converted into ordinary voting shares in Develop Training Group Limited. As a result, at 30 September 2015 loan notes of £nil were owed to BUIL by the company.

Transactions with related parties

ACK Management Limited

During the year ended 30 September 2016, the company made purchases from ACK Management Limited of £34,141 *(2015: £54,337)* and owed ACK Management Limited £2,415 *(2015: £11,760).*

Anthony King is a director of ACK Management Limited. During the year, £28,451 *(2015: £54,337)* was charged by ACK Management Limited in respect of management consultancy services and the Non-executive director services of Anthony King. At the year end a total of £2,415 *(2015: £11,760)* was owed to ACK Management Limited.

20 Ultimate controlling party

The company is controlled by its shareholders.

Notes *(continued)*

21 Accounting estimates and judgements

Key sources of estimation uncertainty

The Directors believe that the only accounting estimate made in preparing the balance sheet is the carrying value of Goodwill. In making an assessment of the value of Goodwill, the directors have considered the future growth prospects of the business and the cashflow generated by this. The key assumptions made are detailed in note 9 to these accounts. The directors believe that on the basis of the assumptions used, the carrying value of Goodwill is appropriate.

22 Explanation of transition to FRS 102 from old UK GAAP

As stated in note 1, these are the Group's and Company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 30 September 2016 and the comparative information presented in these financial statements for the year ended 30 September 2015.

Group

In the transition to FRS 102 from old UK GAAP, the Group has made no measurement and recognition adjustments.

Company

In the transition to FRS 102 from old UK GAAP, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). The adjustment relates to the presentation of the intercompany loan balance on the face of the balance sheet. As the concept of "permanent as equity" does not exist under FRS 102, the loan has been reclassified out of Fixed Assets and in to Debtors. There has been no impact to profit and loss as a result of this reclassification.