Develop Training Group Limited

Annual report and consolidated financial statements

Registered number 06299573

30 September 2017

FRIDAY

A6KD4AY2

A20 01/12/2017 #406

COMPANIES HOUSE

Contents

Company information	1
Strategic report	2
Directors' report	4
Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements	5
Independent auditor's report to the members of Develop Training Group Limited	6
Consolidated profit and loss account	8
Consolidated balance sheet	9
Company balance sheet	10
Consolidated statement of changes in equity	11
Company statement of changes in equity	12
Consolidated cash flow statement	13
Notes	14

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 2017.

Principal activity

The principal activity of the Company is as a provider of accredited technical, compliance and behavioural training. The Company 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

The Company's turnover in the year has been adversely impacted by a general weakness in the UK's construction and facilities management sectors, the immediate impact of introduction of the Apprentice Levy from April 2017, and the continuing impact of reduced public spending. As a result of these factors, and after strong sales growth reported in 2016, turnover has reduced marginally in the year to £9.6m.

The Directors are nevertheless confident that these factors will not continue for the long term and that the introduction of the Apprenticeship Levy and associated changes in the UK's educational landscape will provide a strategically important platform for the Company's future growth.

During the year, the group strengthened its financial position through the successful renegotiation and extension of its banking facilities.

Despite a lower turnover, improved operational efficiencies facilitated by materially improved asset and trainer utilisation, have resulted in continued strong earnings growth. Accordingly, gross profit margins have risen from 48% to 51%, as a percentage of turnover, and the company's operating profits before interest, amortisation, depreciation and loan note credit have continued their positive trend from 2016, increasing to £1,030,000 in 2016/17 from £610,000 in 2015/16, an increase of 69%.

The directors are pleased to report that, despite the effects during the year noted above the future prospects for the business appear to be strong. Whilst order intake was affected during 2016/17, partially as a result of customer caution leading from the introduction of the Apprentice Levy, the level of provisional or unconfirmed orders held at the end of the year were 23% higher than those at the end of 2015/16. The Directors view this measure confidently as a reliable indicator of strong future order intake and therefore growth in 2017/18, particularly when this is considered in conjunction with a growing pipeline of interest centred on the provision of long-term Apprenticeships.

Measures of sales, profitability and order intake are considered to be the group's key performance indicators. Accordingly although the directors are disappointed in the sales achieved during 2016/17, they are delighted to report a continued improvement in underlying profitability.

The directors consider therefore that the strategic direction taken by the Company in recent years remains valid and will provide the basis for continued profitable and stable growth.

There is a high level of variability in demand across the sectors in which the Company 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.

Directors' report

The directors present their report together with the audited financial statements for the year ended 30 September 2017.

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 *(2016: £nil)*.

Directors

The directors who held office during the year were as follows:
A King
C Wood
J Kerr
S Kelsall
C Wall
C A Rogerson

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.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 2.

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: 16 November 2017

Strategic report *(continued)*

Key performance indicators

	2017 £000	2016 £000
Turnover	**9,648**	10,468
Gross profit	**4,877**	5,043
Gross profit margin (%)	**50.5%**	48.2%
Net profit	**60**	549

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: 16 November 2017

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 their profit or loss for that period. In preparing each of the group and parent company 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;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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 its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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

Opinion

We have audited the financial statements of Develop Training Group Limited ("the company") for the year ended 30 September 2017 which comprise the consolidated profit and loss account, the consolidated balance sheet, the company balance sheet, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated cash flow statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2017 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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 parent company 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.

We have nothing to report in these respects.

KPMG

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

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



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: 16th November 2017

Consolidated profit and loss account

for the year ended 30 September 2017

	Note	2017 £000	2016 £000
Turnover	*2*	**9,648**	10,468
Cost of sales		**(4,771)**	(5,425)
Gross profit		**4,877**	5,043
Venue operating costs		**(1,412)**	(1,643)
Central support functions		**(2,012)**	(2,354)
Other administrative expenses		**(423)**	(436)
Waiver of loan	*18*	**-**	712
Depreciation and goodwill amortisation		**(700)**	(737)
Net administrative expenses		**(4,547)**	(4,458)
Group operating profit	*3*	**330**	585
Interest payable and similar charges	*6*	**(92)**	(128)
Profit before taxation		**238**	457
Taxation on profit	*7*	**(178)**	92
Profit on ordinary activities after taxation		**60**	549

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.

Consolidated balance sheet

for the year ended 30 September 2017

	Note	2017		2016	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	*8*		**6,025**		6,619
Tangible assets	*9*		**203**		273
			6,228		6,892
Current assets					
Debtors	*11*	**1,751**		2,036	
Creditors: amounts falling due within one year	*12*	**(2,473)**		(2,766)	
Net current liabilities			**(722)**		(730)
Total assets less current liabilities			**5,506**		6,162
Creditors: amounts falling due after more than one year	*13*		**(1,025)**		(1,741)
Net assets			**4,481**		4,421
Capital and reserves					
Called up share capital	*15*		**100**		100
Share premium			**15,662**		15,662
Other reserves			**(4)**		(4)
Profit and loss account			**(11,277)**		(11,337)
Shareholders' funds			**4,481**		4,421

These financial statements were approved by the board of directors on 16 November 2017 and were signed on its behalf by:

S Kelsall
Director

C Wood
Director

Company registration number : 06299573

Company balance sheet
for the year ended 30 September 2017

	Note	2017		2016	
		£000	**£000**	£000	£000
Fixed assets					
Fixed asset investments	*10*		**6,349**		6,349
Current assets					
Debtors	*11*	-		2	
Creditors: amounts falling due within one year	*12*	**(757)**		(675)	
Net current liabilities			**(757)**		(673)
Total assets less current liabilities			**5,592**		5,676
Creditors: amounts falling due after more than one year	*13*		**(1,025)**		(1,741)
Net assets			**4,567**		3,935
Capital and reserves					
Called up share capital	*15*		**100**		100
Share premium			**15,662**		15,662
Other reserves			**(4)**		(4)
Profit and loss account			**(11,191)**		(11,823)
Shareholders' funds			**4,567**		3,935

The Company profit of £632,000 *(2016: (£6,465,000))* for the year ended 30 September 2017 is a result of being paid amounts due under an intercompany loan to its wholly owned subsidiary DTL that were provided for in 2016.

These financial statements were approved by the board of directors on 16 November 2017 and were signed on its behalf by:

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 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**

	Called up share capital £000	Share premium £000	Other reserves £000	Profit and loss account £000	Total equity £000
Balance at 1 October 2016	100	15,662	(4)	(11,337)	4,421
Total comprehensive income for the period					
Profit for the year	-	-	-	60	60
Other comprehensive income	-	-	-	-	-
Balance at 30 September 2017	**100**	**15,662**	**(4)**	**(11,277)**	**4,481**

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 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**

	Called up share capital £000	Share premium £000	Other reserves £000	Profit and loss account £000	Total equity £000
Balance at 1 October 2016	100	15,662	(4)	(11,823)	3,935
Total comprehensive income for the period					
Loss for the year before intercompany provision	-	-	-	(124)	(124)
Release of provision for intercompany loan	-	-	-	756	756
Profit for the year	-	-	-	632	632
Other comprehensive income	-	-	-	-	-
Balance at 30 September 2017	**100**	**15,662**	**(4)**	**(11,191)**	**4,567**

Consolidated cash flow statement

for the year ended 30 September 2017

	Note	2017 £000	2016 £000
Cash flows from operating activities			
Profit for the year		**60**	549
Adjustments for:			
Depreciation, amortisation and impairment		**702**	737
Write off of BUIL loan note		**-**	(712)
Interest payable and similar charges		**92**	128
Taxation		**178**	(92)
		1,032	610
Decrease/(Increase) in trade and other debtors		**149**	(4)
Decrease in trade and other creditors		**(233)**	(425)
		948	181
Tax received		**-**	10
Net cash from operating activities		**948**	191
Cash flows from investing activities			
Acquisition of tangible fixed assets		**(38)**	(95)
Net cash from investing activities		**(38)**	(95)
Cash flows from financing activities			
Proceeds from BUIL loan		**-**	750
Bank interest paid		**(92)**	(125)
Repayment of borrowings		**(600)**	(550)
Net cash from financing activities		**(692)**	75
Net increase in cash and cash equivalents		**218**	171
Cash and cash equivalents at 1 October		**(266)**	(437)
Cash and cash equivalents at 30 September		**(48)**	(266)

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. The registered number is 06399573 and the registered address is Derby Training Centre, Ascot Drive, Derby, DE24 8GW.

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 2016 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.

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,
- Certain 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 20.

1.1. Measurement convention

The financial statements are prepared on the historical cost basis.

1.2. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 30 September 2017. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.3. Going concern

The operating profit of the Group, before the credit relating to the waiver of loan, has improved materially during 2017 over 2016. The market outlook remains strong and the Group is well placed to benefit from this. At 30 September 2017, the Group has reported an operating profit for the year amounting to £330,000 *(2016: loss of £127,000 before the credit relating to the waiver of the loan)* and at the balance sheet date has reported net current liabilities of £722,000 *(2016: net current liabilities of £730,000).*

During 2017, 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
Motor vehicles	- over 2 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. Investments 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

	2017	2016
	£000	£000
This is arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	**108**	144
Amortisation of positive goodwill	**594**	593
Operating leases - hire of plant and machinery	**177**	189
- hire of other assets	**427**	420
Loan note write off (note 18)	**-**	(712)
BUIL monitoring fee write off (note 18)	**-**	(100)
Auditor's remuneration:		
- audit of these financial statements	**5**	5
- audit of financial statements of subsidiaries pursuant to legislation	**21**	24
- other services relating to taxation	**5**	9

4 Employees

	2017	2016
	£000	£000
Staff costs (including directors) consists of:		
Wages and salaries	**2,781**	3,085
Social security costs	**287**	299
Other pension costs (note 14)	**153**	168
	3,221	3,552

Notes *(continued)*

4 Employees *(continued)*

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

	2017 Number	2016 Number
Sales	**10**	10
Training staff	**33**	43
Catering and maintenance	**5**	9
Administration and management	**44**	41
	92	103

5 Directors' remuneration

	2017 £000	2016 £000
Directors' emoluments	**442**	353
Amounts paid to third parties in respect of directors' services	**15**	34
Company contributions to money purchase pension schemes	**9**	13
	466	400

The total amount payable to the highest paid director in respect of emoluments was £143,274 *(2016: £143,274)* and Company pension contributions of £5,083 *(2016: £7,800)* were made to a money purchase scheme on his behalf.

Retirement benefits are accruing to five directors *(2016: five directors)* under money purchase schemes.

6 Interest payable and similar charges

	2017 £000	2016 £000
Interest on banks loans and overdrafts	**88**	189
All other loans (excluding loans from group companies)	**4**	-
Amortisation of loan issue costs	**-**	4
Loan interest written off	**-**	(65)
	92	128

Notes *(continued)*

7 Taxation

	2017 £000	2016 £000
Current tax:		
Current tax on profit of the year	**42**	-
Total current tax	**42**	-
Deferred tax:		
Origination and reversal of timing differences	**105**	(117)
Adjustments in respect of prior periods	**31**	13
Effect of tax rate change on opening balance	**-**	12
Total deferred tax	**136**	(92)
Total tax	**178**	(92)

Total tax of £178,000 *(2016: (£92,000))* has been recognised in the profit and loss account. Current tax of £42,000 *(2016: £nil)* relates solely to UK Corporation tax.

The current tax for the year is higher *(2016: lower)* than the standard rate of corporation tax in the UK of 19% *(2016: 20%)*.

	2017 £000	2016 £000
Profit for the year	**60**	549
Total tax charge/(credit)	**178**	(92)
Profit excluding taxation	**238**	457
Tax charge using the UK corporation tax rate of 19.5% *(2016: 20%)*	**46**	91
Effect of:		
Fixed asset differences	**88**	94
Expenses not deductible	**31**	38
Income not taxable	**-**	(143)
Adjustment to tax charge in respect of prior periods	**31**	13
Reduction in tax rate on deferred tax balances	**6**	20
Effect of tax rate change on opening deferred tax	**(22)**	12
Deferred tax recognised	**(2)**	(217)
Total tax charge/(credit)	**178**	(92)

Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. A further reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future tax charge accordingly. The deferred tax asset has been calculated based on these rates.

Notes *(continued)*

8 Intangible fixed assets

Group	Goodwill on consolidation £000
Cost:	
At 1 October 2016 and 30 September 2017	11,866
Accumulated amortisation:	
At 1 October 2016	5,247
Provided for the year	594
At 30 September 2017	5,841
Net book value:	
At 30 September 2017	**6,025**
At 30 September 2016	6,619

Amortisation charge

Amortisation, is recognised in the following line items in the profit and loss account:

	2017 £000	2016 £000
Cost of sales		
Depreciation and goodwill amortisation	**594**	593

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 2018 to 2022 (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 2017 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)*

9 Tangible fixed assets

Group	Leasehold land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	Other fixed assets £000	Motor vehicles £000	Total £000
Cost:						
At 1 October 2016	145	1,529	266	244	-	2,184
Additions	9	8	10	6	5	38
At 30 September 2017	154	1,537	276	250	5	2,222
Accumulated depreciation:						
At 1 October 2016	99	1,371	231	210	-	1,911
Provided in the year	14	57	23	13	1	108
At 30 September 2017	113	1,428	254	223	1	2,019
Net book value:						
At 30 September 2017	**41**	**109**	**22**	**27**	**4**	**203**
At 30 September 2016	46	158	35	34	-	273

The net book value of land of buildings of £41,000 (2016: £46,000) relates solely to short leasehold.

10 Fixed asset investments

Company	Group undertakings £000
Cost:	
At 1 October 2016	6,349
Additions	6,258
At 30 September 2017	12,607
Provision against investment:	
At 1 October 2016	-
Provided in year	6,258
At 30 September 2017	6,258
Carrying value of investment:	
At 30 September 2017	**6,349**
At 30 September 2016	6,349

Notes *(continued)*

10 Fixed asset investments *(continued)*

	Loans to group undertakings £000	Loans to undertakings in which the Company has a participating interest £000	Other £000	Total £000
Cost				
At beginning of year	7,014	-	-	7,014
Additions	-	-	-	-
Repayments	(756)	-	-	(756)
Debt to equity reclassification	(6,258)	-	-	(6,258)
At end of year	-	-	-	-
Provisions				
At beginning of year	7,014	-	-	7,014
Released during the year	(756)	-	-	(756)
Reclassification of provision	(6,258)	-	-	(6,258)
At end of year	-	-	-	-
Net book value				
At 30 September 2017	-	-	-	-
At 30 September 2016	-	-	-	-

During the year, the Company forgave the outstanding balance on the loan due from its 100% subsidiary, Develop Training Limited ('DTL'). The loan was made in 2007 as part of the acquisition of DTL by the Company. The forgiveness of the loan has been treated as a capital contribution and has therefore led to an increase in the cost of Investment made in DTL.

A provision against the loan of £7,014,000 was made in the 2016 accounts. At the point of forgiving the loan, DTL had made repayments totalling £756,000 to the Company and this amount of provision was released into the profit and loss account of the Company in 2017. The provision remaining at the point of the forgiveness has been transferred to a provision held against the carrying value of the investment.

Subsidiary undertakings, associated undertakings and other investments

The Company has the following investments in subsidiaries:

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

All subsidiaries are incorporated in England and Wales and registered at office, Develop Training Centre, Ascot Drive, Derby DE24 8GW.

Notes *(continued)*

11 Debtors

	Group		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Trade debtors	**1,123**	1,283	**-**	-
Prepayments and accrued income	**582**	571	**-**	-
Other debtors	**-**	-	**-**	2
Deferred taxation (see below)	**46**	182	**-**	-
	1,751	2,036	**-**	2

All debtor balances are due within one year.

	Group Deferred taxation £000	**Company Deferred taxation £000**
At 1 October 2016	182	-
Credited to the profit and loss account	(136)	-
At 30 September 2017	**46**	-

Group	**2017**	2016
	£000	£000
The amount of deferred tax provided is as follows:		
Accelerated capital allowances	**24**	30
Short timing differences	**12**	14
Tax losses carried forward and other deductions	**10**	138
	46	182

There are £614,000 *(2016: £419,000)* of unrecognised losses within the Company for which a deferred tax asset of £104,325 *(2016: £71,221)* has not been recognised.

12 Creditors: amounts falling due within one year

	Group		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Bank loans (secured) (note 13)	**720**	600	**720**	600
Overdraft (note 13)	**48**	266	**-**	58
Trade creditors	**885**	1,018	**23**	-
Amounts owed to group undertakings	**-**	-	**-**	3
Taxation and social security	**395**	335	**-**	-
Accruals and deferred income	**383**	547	**14**	14
Corporation tax	**42**	-	**-**	-
	2,473	2,766	**757**	675

Notes *(continued)*

13 Creditors: amounts falling due after more than one year

	Group		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Bank loans (secured)	**980**	1,700	**980**	1,700
Other loans	**38**	38	**38**	38
Accruals and deferred income	**7**	3	**7**	3
	1,025	1,741	**1,025**	1,741

Maturity of debt

Loans and overdrafts	**2017** **£000**	2016 £000
In one year or less, or on demand	**768**	866
In more than one year, but not more than two years	**720**	1,300
In more than two years, but not more than five years	**298**	438
	1,018	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 (£1,700,000) is repayable by instalments. The remaining balance is repayable in equal monthly instalments with the final instalment due on 31 January 2020. Interest is charged on the Tranche 'B' facility at 4% above LIBOR.

Security

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

14 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 £153,000 *(2017: £168,000)*. Contributions amounting to £11,556 *(2016: £13,156)* were payable to the fund and are included in creditors.

Notes *(continued)*

15 Share capital

	2017 £000	2016 £000
Allotted, called up and fully paid:		
7,525,000 *(2016: 8,000,000)* 'A' ordinary shares of 1p each	**75**	80
2,475,000 *(2016: 2,000,000)* 'B' ordinary shares of 1p each	**25**	20
1 *(2016:1)* 'Y' ordinary share of 1p each	**-**	-
1 *(2016:1)* "Z" ordinary share of 1p each	**-**	-
10,000 *(2016: Nil)* 'Y1' ordinary shares of 0.1p each	**-**	-
10,000 (2016: *Nil)* 'Z1' ordinary shares of 0.1p each	**-**	-
	100	100

On 8 February 2017, the following restructures of the ordinary share capital occurred:

- 475,000 A shares were re-designated as B shares
- 10,000 Y1 shares were issued. The Y1 shares were acquired by the Directors.
- 10,000 Z1 shares were issued. The Z1 shares were acquired by the Directors.

Ranking

Dividends

The 'A', 'B', 'Y1' and 'Z1' shares rank pari passu for any dividend paid. The 'Y' and 'Z' shares do not contain the right to a dividend.

Proceeds on a sale, listing or liquidation

The proceeds payable to the shareholders in respect of the shares following 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 £3,000,000;

(b) Secondly, in paying the 'Y1' ordinary shareholders an amount equal to the sum of £725,000;

(c) Thirdly in paying the 'Z' and 'Z1' ordinary shareholders an amount equal to the sum of £14,825,000 in the ration of 75.25% to 24.75% respectively;

(d) Finally, in paying the 'A' and 'B' ordinary shareholders any further proceeds in the ratio 75.25% to 24.75% respectively..

16 Financial instruments

Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	2017 £000	2016 £000
Assets measured at amortised cost	**1,123**	1,283
Liabilities measured at amortised cost	**2,671**	3,622

Notes *(continued)*

17 Commitments under operating leases

Non-cancellable operating lease rentals are payable as follows:

	Land and buildings		Other	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Less than one year	**398**	349	**151**	187
Between one and five years	**1,094**	1,281	**198**	291
More than five years	**663**	825	**-**	-
	2,155	2,455	**349**	478

During the year £604,000 was recognised as an expense in the profit and loss account in respect of operating leases *(2016: £609,000)*.

18 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 2017, BUIL provided finance to the company in the form of interest bearing loan notes for £37,500. Interest charged on the loan notes during 2017 totalled £3,750.

During the year, BUIL has invoiced £25,657 of monitoring fees. In the prior year, BUIL credited all outstanding monitoring fee invoices resulting in a £25,586 net credit to the profit and loss account.

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 was also waived.

Transactions with related parties

ACK Management Limited

Anthony King is a director of ACK Management Limited. During the year, £15,496 *(2016: £28,451)* 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 £nil *(2016: £2,415)* was owed to ACK Management Limited.

19 Ultimate controlling party

The company is controlled by its shareholders.

20 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 cash flow generated by this. The key assumptions made are detailed in note 8 to these accounts. The directors believe that on the basis of the assumptions used, the carrying value of Goodwill is appropriate.