Develop Training Limited

Report and Financial Statements

Year Ended

30 September 2014

Company Number 06115331

Develop Training Limited

Report and financial statements
for the year ended 30 September 2014

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Directors

M Dougall
A King
C Wood

Secretary and registered office

A McKeown, Derby Training Centre, Ascot Drive, Derby, DE24 8GW

Company number

06115331

Auditors

BDO LLP, 125 Colmore Row, Birmingham, B3 3SD

Develop Training Limited

Strategic report
for the year ended 30 September 2014

The directors present their strategic report together with the audited financial statements for the year ended 30 September 2014.

Review of business

The principal activity of the company is 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.

Over the financial year the company experienced a fall in its turnover, which declined by £2,061k (18.2%) to £9,277k compared with the prior year. As a result of lower turnover and less favourable asset and trainer utilisation, gross profit margins fell from 42.1% to 36.4%, as a percentage of turnover, and reported an operating loss of £34k, compared with a prior year profit of £934k (a return of 8.2%). These measures are considered to be the company's key performance indicators and the directors are disappointed in this performance.

Accordingly, since the end of the financial year, the company has reinforced its management team, enacted a number of commercial initiatives to redress the recent decline in the company's performance, and strengthened its financial position through the renegotiation of its banking facilities.

There is a 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. Consequently, as the UK economy grows and the company continues to invest in appropriate web-based systems, training material and its network of training centres, the directors are optimistic that the company will be in a position to trade increasingly profitably and progressively, and benefit from opportunities within the training sector.

This 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.

Key Performance Indicators

	£	£
Turnover	9,276,688	11,337,588
Gross profit	3,379,813	4,775,937
Gross profit margin (%)	36.4	42.1
Net (loss)/profit	(782,460)	17,210

Financial risk management

The company has an established, structured approach to risk management. The company's activities expose it to a variety of financial risks, including the effects of market changes, credit, liquidity, cash flow and interest rate risks. The company is not exposed to foreign exchange risk. The company has adopted risk management policies that seek to mitigate these risks in a cost effective manner. Financial assets that expose the company to financial risk consist primarily of trade debtors and cash. Financial liabilities that expose the company to financial risk consist principally of trade creditors, loans and hire purchase agreements. The company's finance department implements the policies set by the board of directors.

The company 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 company's performance.

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 company performs ongoing credit evaluation of its customers financial condition and has implemented policies which require appropriate credit checks on potential customers before sales are made and monitoring and prompt collection of outstanding balances.

Liquidity risk is the risk that the company does not have sufficient liquid assets to meet its obligations as they fall due. Liquidity is maintained at a prudent level and the company ensures there is an adequate liquidity buffer to cover contingencies. The company maintains sufficient cash and open committed credit lines from its bankers to meet its funding requirements and monitors cash flow as part of its day to day control procedures.

Interest rate risk i.e. unfavourable movements in interest rates arising as a result of the company's long-term borrowings. It is, where appropriate, addressed by the use of derivative instruments provided by the company's bankers, whereby interest rate exposure is capped at a level which would limit potential interest costs to a level considered by the directors to be affordable by the business should there be significant interest rate rises during the life of the borrowings.

In light of a number of accounting issues identified earlier in 2014, and which necessitated the restatement of the financial statements for the year ended 30 September 2013, the directors instituted a review of the company's internal control environment. This has led to the identification of a number of control weaknesses which, as at the date of these financial statements, are being addressed. The directors are confident that by addressing these weaknesses the company's financial control environment will be strengthened significantly.

On behalf of the board

A King
Director

C Wood
Director

22 January 2015

Develop Training Limited

Report of the directors
for the year ended 30 September 2014

The directors present their report together with the audited financial statements for the year ended 30 September 2014.

Results and dividends

The profit and loss account is set out on page 7 and shows the loss for the year.

The directors do not recommend payment of a dividend.

Indemnity Cover

Third party indemnity cover for the directors was in force during the period.

Directors

The directors of the company during the year were:

R Tompsett (resigned 21 May 2014)
M Dougall
A King (appointed 7 May 2014)
C Wood (appointed 22 September 2014)

Directors' responsibilities

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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

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

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

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the board

A King
Director

C Wood
Director

22 January 2015

To the members of Develop Training Limited

We have audited the financial statements of Develop Training Limited for the year ended 30 September 2014 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, 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 Financial Reporting Council's (FRC'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 FRC's website 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 company's affairs as at 30 September 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and directors' report 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, 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.

BDO LLP
30 January 2015

Thomas Lawton (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Birmingham
United Kingdom

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Develop Training Limited

Profit and loss account
for the year ended 30 September 2014

	Note	2014 £	2013 £
Turnover	2	**9,276,688**	11,337,588
Cost of sales		**5,896,875**	6,561,651
Gross profit		**3,379,813**	4,775,937
Administrative expenses		**3,413,530**	3,842,240
Operating (loss)/profit	3	**(33,717)**	933,697
Interest payable and similar charges	6	**(778,863)**	(779,357)
(Loss)/profit on ordinary activities before taxation		**(812,580)**	154,340
Taxation on (loss)/profit on ordinary activities	7	**30,120**	(137,130)
(Loss)/profit on ordinary activities after taxation		**(782,460)**	17,210

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 notes on pages 9 to 19 form part of these financial statements.

Develop Training Limited

Balance sheet
at 30 September 2014

Company number 06115331	Note	2014 £	2014 £	2013 £	2013 £
Fixed assets					
Intangible assets	8		**5,647,861**		6,095,268
Tangible assets	9		**478,380**		618,606
			6,126,241		6,713,874
Current assets					
Debtors	11	**2,213,138**		2,413,282	
Cash at bank and in hand		**694,549**		2,370,387	
		2,907,687		4,783,669	
Creditors: amounts falling due within one year	12	**2,599,437**		2,869,236	
Net current assets			**308,250**		1,914,433
Total assets less current liabilities			**6,434,491**		8,628,307
Creditors: amounts falling due after more than one year	13		**7,163,039**		8,574,395
			(728,548)		53,912
Capital and reserves					
Called up share capital	15		**1,026,655**		1,026,655
Share premium account	16		**1,932,098**		1,932,098
Profit and loss account	16		**(3,687,301)**		(2,904,841)
Shareholders' (deficit)/funds	17		**(728,548)**		53,912

The financial statements were approved by the board of directors and authorised for issue on 22 January 2015.

A King
Director

C Wood
Director

The notes on pages 9 to 19 form part of these financial statements.

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

The following principal accounting policies have been applied:

Consolidated financial statements

The financial statements contain information about Develop Training Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company has taken advantage of the exemption conferred by section 400 of the Companies Act 2006 not to produce consolidated financial statements as it is included in EEA group accounts of a larger group.

Going concern

At 30 September 2014, the company has reported a loss for the year of £782,460 (2013 - profit £17,210) and at the balance sheet date as a Shareholders' deficit amounting to £728,548 (2013 - Shareholders' funds £53,912).

The company's forecasts and projections, show that the company should be able to operate within the level of its current facilities. The company is reliant upon the continued support of its bank facilities and its ultimate parent undertaking Develop Training Group Limited, Develop Training Group Limited has confirmed in writing that it is not their intention to recall the amounts owed to group undertakings of £7,163,039 within twelve months of signing these financial statements. The company revised its facilities with the bank on 26 September 2014 with funding being due for renewal on 30 September 2017. On this basis the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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 of 20 years. Impairment tests on the carrying value of goodwill are undertaken at the end of the first full financial year following acquisition; and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation

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, machinery and equipment	- over 4 - 5 years
Fixtures and fittings	- over 5-10 years
Office equipment	- over 5-10 years
Computer equipment	- over 4 - 5 years

1 Accounting policies *(continued)*

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Turnover

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

Leased assets

All leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Pension costs

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

Related party disclosures

The company is a wholly owned subsidiary of Develop Training Group Limited and has taken advantage of the exemption conferred by Financial Reporting Standard 8 'Related party disclosures' not to disclose transactions with Develop Training Group Limited or other wholly owned subsidiaries within the group.

Cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 'Cash Flow Statements (Revised 1996)' not to prepare a cash flow statement on the grounds that all of the voting rights in the company are controlled within the group headed by Develop Training Group Limited and the company is included in consolidated financial statements.

2 Turnover

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

3 Operating (loss)/profit

	2014 £	2013 £
This is arrived at after (crediting)/charging:		
Employment settlement received	**(650,000)**	-
Depreciation of tangible fixed assets	**195,958**	195,760
Amortisation of positive goodwill	**447,407**	447,407
Hire of plant and machinery - operating leases	**205,414**	197,489
Hire of other assets - operating leases	**494,815**	495,729
Fees payable to the company's auditor for the auditing of the company's annual accounts	**18,600**	18,600

4 Employees

Staff costs (including directors) consist of:

	2014 £	2013 £
Wages and salaries	**2,715,675**	3,100,525
Social security costs	**284,196**	332,767
Other pension costs	**62,949**	56,192
	3,062,820	3,489,484

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

	2014 Number	2013 Number
Sales	**9**	9
Training staff	**31**	30
Catering, housekeeping and maintenance	**2**	5
Administration and management	**48**	59
	90	103

5 Directors' remuneration

	2014 £	2013 £
Directors' emoluments	**224,083**	249,746
Amounts paid to third parties in respect of directors' services	**33,792**	-

The total amount payable to the highest paid director in respect of emoluments was £152,083 (2013 - £175,000).

6 Interest payable and similar charges

	2014 £	2013 £
Bank loans	**48,779**	49,453
Loans from group companies	**728,825**	728,824
Interest on tax	**1,259**	1,080
	778,863	779,357

7 Taxation on (loss)/profit on ordinary activities

	2014	2013
	£	£
UK Corporation tax		
Current tax on profits of the year	-	-
Deferred tax		
Origination and reversal of timing differences	**(30,120)**	111,403
Effect of changes in tax rate	-	25,727
Movement in deferred tax provision	**(30,120)**	137,130

The tax assessed for the year is different to that of the standard rate of corporation tax in the UK applied to (loss)/profit before tax.

	2014	2013
	£	£
(Loss)/profit on ordinary activities before tax	**(812,580)**	154,340
(Loss)/profit on ordinary activities at the standard rate of corporation tax in the UK of 22% (2013 - 23%)	**(178,768)**	36,268
Effect of:		
Expenses not deductible for tax purposes	**152,681**	106,192
Depreciation for period in excess of capital allowances	**13,741**	13,349
Utilisation of brought forward losses	**19,215**	(142,593)
Transfer pricing adjustment	**(8,326)**	(12,942)
Short term timing differences	**1,457**	(274)
Current tax charge for the year	-	-

Tax claim

Due to the financial reporting mis-statements as identified, the group has overpaid corporation tax in previous financial years. The group has submitted a claim for repayment totalling £469,863.

Factors that may affect future tax charges

The 2014 budget confirmed the reduced corporation tax rates of 21% to apply from 1 April 2014 and 20% to apply from 1 April 2015.

8 Intangible fixed assets

	Purchased goodwill £
Cost	
At 1 October 2013 and 30 September 2014	**8,948,139**
Amortisation	
At 1 October 2013	2,852,871
Provided for the year	447,407
At 30 September 2014	**3,300,278**
Net book value	
At 30 September 2014	**5,647,861**
At 30 September 2013	6,095,268

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

9 Tangible fixed assets

	Leasehold land and buildings £	Plant and machinery £	Fixtures and fittings £	Office and Computer equipment £	Total £
Cost					
At 1 October 2013	94,318	1,462,995	245,151	201,953	2,004,417
Additions	7,316	44,316	-	4,100	55,732
At 30 September 2014	**101,634**	**1,507,311**	**245,151**	**206,053**	**2,060,149**
Depreciation					
At 1 October 2013	69,404	960,589	200,293	155,525	1,385,811
Provided for the year	9,231	161,596	8,437	16,694	195,958
At 30 September 2014	**78,635**	**1,122,185**	**208,730**	**172,219**	**1,581,769**
Net book value					
At 30 September 2014	**22,999**	**385,126**	**36,421**	**33,834**	**478,380**
At 30 September 2013	24,914	502,406	44,858	46,428	618,606

10 Fixed asset investments

Subsidiary undertakings, associated undertakings and other investments

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

	Proportion of voting rights and ordinary share capital held	Nature of business
Subsidiary undertakings		
Develop Solutions Limited	100%	Dormant

11 Debtors

	2014 £	2013 £
Trade debtors	**1,225,373**	1,246,671
Corporation tax recoverable	**469,863**	275,247
Prepayments and accrued income	**427,677**	831,259
Deferred taxation	**90,225**	60,105
	2,213,138	2,413,282

All amounts shown under debtors fall due for payment within one year.

	Deferred taxation £
At 1 October 2013	60,105
Credited to profit and loss account	30,120
At 30 September 2014	**90,225**

Deferred taxation

The amount of deferred tax provided for is as follows:	2014 £	2013 £
Accelerated capital allowances	**40,536**	29,211
Short term timing differences	**2,901**	1,577
Tax losses carried forward and other deductions	**46,788**	29,317
	90,225	60,105

12 Creditors: amounts falling due within one year

	2014 £	2013 £
Trade creditors	**1,417,260**	1,110,149
Amounts owed to group undertakings	**-**	679,820
Other taxation and social security	**304,957**	282,338
Accruals and deferred income	**877,220**	796,929
	2,599,437	2,869,236

13 Creditors: amounts falling due after more than one year

	2014 £	2013 £
Amounts owed to group undertakings	**7,163,039**	8,574,395

14 Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge amounted to £62,949 (2013 - £56,192). There were £14,505 (2013 - £7,883) of outstanding contributions at the end of the financial period.

15 Share capital

	2014 £	2013 £
Allotted, called up and fully paid		
10,266,550 Ordinary shares of 10p each	**1,026,655**	1,026,655

16 Reserves

	Share premium account £	Profit and loss account £
At 1 October 2013	1,932,098	(2,904,841)
Loss for the year	-	(782,460)
At 30 September 2014	**1,932,098**	**(3,687,301)**

17 Reconciliation of movements in shareholders' (deficit)/funds

	2014 £	2013 £
(Loss)/profit for the year	**(782,460)**	17,210
Opening shareholders' funds	**53,912**	36,702
Closing shareholders' (deficit)/funds	**(728,548)**	53,912

18 Commitments under operating leases

The company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2014 £	Other 2014 £	Land and buildings 2013 £	Other 2013 £
Operating leases which expire:				
Within one year	**135,182**	**14,801**	24,000	-
In two to five years	**263,958**	**165,368**	357,360	168,041
After five years	**79,110**	**-**	79,110	-
	478,250	**180,169**	460,470	168,041

19 Related party disclosures

Transactions with related parties

	Purchases from related parties £	Amounts owed to related parties £
ACK Management Limited	33,792	21,202

ACK Management Limited

Mr A King is a director of ACK Management Limited. During the year, £33,792 (2013: £nil) was charged by ACK Management Limited in respect of management consultancy services and the Non Executive services of Mr A King. At 30 September 2014, £21,202 (2013: £nil) was owed to ACK Management Limited.

20 Ultimate parent company and parent undertaking of larger group

The company is a subsidiary of Develop Training Group Limited which is the ultimate parent company incorporated in England and Wales.

The largest and smallest group in which the results of the company are consolidated is that headed by Develop Training Group Limited , incorporated in England and Wales. The consolidated accounts of this company are available to the public and may be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ. No other group accounts include the results of the company.