

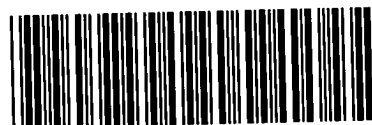
Registered No: 03370400

# **Imparta Limited**

## **Report and Consolidated Financial Statements**

31 December 2017

TUESDAY



LD4 \*L7BDI4JU\* #226  
31/07/2018  
COMPANIES HOUSE

# Imparta Limited

---

Registered No: 03370400

## **Directors**

R J B Barkey

## **Auditors**

Haines Watts  
New Derwent House  
69-73 Theobalds Road  
London  
WC1X 8TA

## **Bankers**

Lloyds TSB Bank Plc  
83 Clarence Street  
Kingston upon Thames  
Surrey  
KT1 1RE

## **Solicitors**

Adams and Remers LLP  
Dukes Court  
32 Duke Street  
St James'  
London  
SW1Y 6DF

## **Registered office**

14-16 Peterborough Road  
London  
SW6 3BN

## Directors' report

The directors present their directors' report for the year ended 31 December 2017.

### Principal activities

The principal activity continued to be the development and delivery of capability building solutions that combine traditional workshops with sophisticated e-learning, coaching and reinforcement to create measurable and sustainable impact for our global client list. The group has refocused its activities around three areas: sales, service and sales through service.

### Dividends

The directors declared dividends of £326,118 in 2017 (2016: £nil).

### Going Concern

The use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the group to continue as a going concern.

### Directors

The following directors have held office during the whole of the period from 1 January 2017 to the date of this report:

- R J B Barkey

Other changes in directors holdings office are as follows:

- D Stephan- resigned 19 September 2017
- A P B Isherwood- resigned 19 September 2017
- J Garcia- resigned 19 September 2017
- M Abell- resigned 19 September 2017
- P J Williamson- resigned September 2017
- E Barkey- appointed 15 September 2017

In September 2017 the entire equity of Imparta Limited was acquired by a new holding company, The Capability Group Ltd.

### Indemnity Provisions

The directors are indemnified by the group against all losses, which they may incur in the execution of the duties of their office, other than those arising as a result of their gross negligence or wilful default. An insurance policy effecting cover against such liability has been purchased by Imparta Limited, to cover all companies in the Group.

### Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information. This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

## Directors' report (continued)

### Statement of directors' responsibility

The directors are responsible for preparing the 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), including Financial Reporting Standard 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 the company and of the profit or loss of the group 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 company will continue in business.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report was approved by the board and signed on its behalf by



27 July 2018  
Richard Barkey  
Director

## Strategic report

The directors present their strategic report for the year ended 31 December 2017.

### Performance and financial review

2017 was another year of growth for Imparta Limited, with 5% revenue growth year-on-year, and 18.5% improvement in profit before tax. The profit increase was higher still once foreign exchange effects are removed, and resulted from operating leverage and the return of gross margin to a more typical level following actions taken in late 2016.

In September 2017 Imparta Limited was acquired by a new holding company, The Capability Group Limited, controlled by Richard Barkey. This transaction was designed to provide the original investors with liquidity and to give the business more flexibility going forward.

The highlight figures for 2017 were:

- Turnover increased by 5.3%, from £9,184,999 to £9,670,322
- EBITDA increased by 16.6%, from £1,011,798 to £1,180,260
- Profit before tax increased by 18.5%, from £696,610 to £852,512
- Total assets less current liabilities grew by £1,434,190 from £3,797,576 to £5,231,766.

### Future developments

From late 2017, the Group has been pursuing an ambitious medium-term growth strategy that involves investment in five areas:

- Ongoing investment in sales and marketing resources and activities;
- Streamlining operations to improve scalability;
- Strengthening our value-added services to clients;
- Accelerating international growth through increased investment in sales and marketing in the US and other territories;
- Continuing to invest in platforms, content and operations to underpin the growth of our Virtual Sales Academy business.

We anticipate a further growth year in 2018.

### Strategy and operations

Imparta's mission is to deliver and measure real performance improvements in sales, service and sales through service, to a global client base. We combine world-class content and methodologies with advanced learning approaches and the ability to make training stick through our Capability Building® System.

Our new offerings in the sales-through-service space have gained good traction, especially in the retail, hospitality and retail financial services markets, and this growth is continuing into 2018.

Imparta enjoys strong IP-based revenue streams that include:

- A modular content library containing our world-class content, that is licenced to clients as individual programmes, or as an entire library of instructor-led training, tools and competencies;
- Other technology-based platforms, including plugins that allow clients to embed our methodology into their CRM systems;
- Imparta's Virtual Sales Academy® (VSA), which provides highly-effective experiential learning around sales skills and automates many of the functions of a full Academy, from development planning to manager-led role-plays and competency assessments.

We are continuing to develop our IP base while also implementing the five-point strategy noted above.

## Strategic report

### Principal risks and Uncertainties

The principal risks to the business are:

- **Currency risk.** The Imparta group of companies trades with a number of overseas clients, and operates in North America, Europe and Asia Pacific, and so has exposure to currency risks. We aim to limit this exposure by matching the currency of any costs incurred to the currency in which revenue is earned, and by converting surplus funds to sterling on a regular basis;
- **Economic slowdown.** There is continued risk of a further global economic slowdown, and this could impact Imparta's performance if it were to materialise, although our deep, consultative relationships with core clients protected both revenues and profits during the last recession.
- **Brexit.** There remain significant risks that Brexit, especially in a no-deal scenario, may lead to an economic downturn and the possible imposition of trade barriers. Our mitigation strategy for the former is, as noted above, to form deep relationships with our clients. For the latter, it is to create a trading company in mainland Europe if necessary, and to promote the Virtual Sales Academy as a replacement for face-to-face training if costs do come under pressure, and travel becomes harder.

### Research and development activities

The group continued to invest significantly in research and development during the period, including:

- The continued extension of the capabilities of our i-Coach® learning portal and the Virtual Sales Academy®, especially around its reporting capabilities;
- Refreshed versions of our core Negotiation programmes and new course content, especially in the areas of B2C selling and sales through service.

This report was approved by the Board and signed on its behalf by



27 July 2018  
Richard Barkey  
Director

## Independent auditor's report

**To the Members of Imparta Limited (the 'parent company') and its subsidiaries (the 'group')**

### Opinion

We have audited the financial statements of Imparta Limited for the year ended 31 December 2017 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement and the related notes and including a summary of significant accounting policies. 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), including Financial Reporting Standard 102 Section 1A 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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 31 December 2017 and of the group's profit 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.

### Use of our report

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.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **Independent auditor's report**

**To the Members of Imparta Limited (the 'parent company') and its subsidiaries (the 'group')**

### **Other information**

The directors' are responsible for the other information. The other information comprises the information in the Group Strategic Report and Director's Report, but does not include the financial statements and our Auditors' Report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Group Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the Group Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

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

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 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; or

### **Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the groups' and the 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 the directors either intend to liquidate the group, or the parent company or to cease operations, or have no realistic alternative but to do so.



## Independent auditor's report

**To the Members of Imparta Limited (the 'parent company') and its subsidiaries (the 'group')**

### **Auditors' responsibilities for the audit of the financial statements**

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 an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' Report.



Gary Staunton (Senior Statutory Auditor)  
For and on behalf of Haines Watts  
New Derwent House  
69-73 Theobalds Road  
London  
WC1X 8TA  
27 July 2018

# Group Income Statement

for the year ended 31 December 2017

The directors present the consolidated financial statements for the year ended 31 December 2017.

	Notes	Group 2017 £	Group 2016 £
<b>Turnover</b>	3	9,670,322	9,184,999
Cost of sales		(2,294,469)	(2,474,142)
<b>Gross profit</b>		7,375,853	6,710,857
Research and development costs		(441,447)	(502,670)
Selling and distribution expenses		(3,561,585)	(3,401,923)
Administrative expenses		(2,150,523)	(2,052,089)
Foreign exchange loss		(42,038)	257,623
<b>EBITDA</b>	4	1,180,260	1,011,798
Depreciation & Amortisation		(306,163)	(277,861)
Interest receivable and similar income	6	1,542	3,818
Interest payable and similar charges	7	(50,127)	(41,144)
<b>Profit on ordinary activities before taxation</b>		825,512	696,610
Taxation		140,966	513,760
<b>Profit for the financial year</b>		966,478	1,210,370

All amounts relate to continuing operations.

## Group statement of other comprehensive income

for the year ended 31 December 2017

### Group statement of other comprehensive income

	Notes	2017 £	2016 £
Profit for the financial year		966,478	1,210,370
Exchange differences on retranslation of subsidiary undertakings		28,769	(125,943)
<b>Total other comprehensive income/(loss)</b>		<b>995,247</b>	<b>1,084,427</b>
<b>Total other comprehensive income for the year</b>		<b>995,247</b>	<b>1,084,427</b>

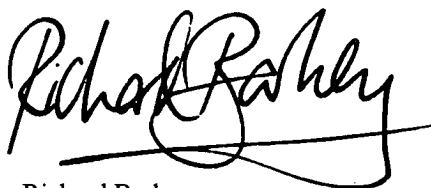
## Group and company statement of financial position

for the year ended 31 December 2017

		<i>Group</i>		<i>Company</i>	
		2017	2016	2017	2016
	<i>Notes</i>	£	£	£	£
<b>Fixed assets</b>					
Intangible assets	9	950,033	960,243	949,302	959,089
Tangible assets	10	51,339	46,799	49,958	43,900
Investments	11	-	-	1	1
		<u>1,001,372</u>	<u>1,007,042</u>	<u>999,261</u>	<u>1,002,990</u>
<b>Current assets</b>					
Stocks	12	-	11,497	-	11,497
Debtors	13	5,303,910	2,341,760	5,982,729	2,918,498
Cash at bank and in hand		514,498	1,602,388	491,415	1,524,403
		<u>5,818,408</u>	<u>3,955,645</u>	<u>6,474,144</u>	<u>4,335,672</u>
<b>Creditors: amounts falling due within one year</b>	14	(1,770,726)	(1,165,111)	(1,703,523)	(1,047,114)
<b>Net current assets</b>		<u>4,230,394</u>	<u>2,790,534</u>	<u>4,770,620</u>	<u>3,407,284</u>
<b>Total assets less current liabilities</b>		<u>5,231,766</u>	<u>3,797,576</u>	<u>5,769,881</u>	<u>4,410,274</u>
<b>Creditors: amounts falling due after more than one year</b>					
Loans	15	(1,257,852)	(819,141)	(1,257,852)	(819,141)
		<u>3,973,914</u>	<u>2,978,435</u>	<u>4,512,029</u>	<u>3,591,133</u>
<b>Capital and reserves</b>					
Called up share capital	16	4,504	3,854	4,504	3,854
Share premium account		325,701	-	-	-
Capital redemption reserve		1,632	1,632	1,632	1,632
Profit and loss account	17	3,642,077	2,972,949	4,181,824	3,585,647
<b>Shareholders' funds</b>		<u>3,973,914</u>	<u>2,978,435</u>	<u>4,512,029</u>	<u>3,591,133</u>

The notes on pages 13 to 26 form part of these financial statements.

The financial statements were approved and authorised by the board and signed on its behalf on 27 July 2018 by



Richard Barkey  
Director

# Group statement of cash flows

for the year ended 31 December 2017

		Group 2017 £	Group 2016 £
	Notes		
<b>Cash flow from operating activities</b>	21	717,448	717,568
Interest received	6	1,542	3,818
Corporation tax refund		178,710	264,731
Overseas tax paid		(18,872)	(13,201)
<b>Net cash flow from operating activities</b>		<b>878,828</b>	<b>972,916</b>
<b>Investing activities</b>			
Payments for purchase of intangible assets	9	(279,793)	(304,022)
Payments for purchase of tangible assets	10	(29,538)	(22,503)
Receipts on sale of tangible fixed assets		8,303	906
Purchase of shares by Imparta on behalf of TCG		(2,095,944)	-
<b>Net cash flow from investing activities</b>		<b>(2,396,944)</b>	<b>(325,619)</b>
<b>Financing activities</b>			
Interest paid	7	(50,127)	(41,144)
Purchase of own shares		-	-
Long term loan	15	447,689	-
Dividends paid	8	(326,119)	-
Dividends paid on behalf of TCG		304,508	-
<b>Net cash flow from financing activities</b>		<b>375,953</b>	<b>(41,144)</b>
<b>Net (Decrease)/Increase in cash and cash equivalents</b>		<b>(1,142,013)</b>	<b>606,153</b>
Effect of exchange rates on cash and cash equivalents		28,922	(126,791)
Cash and cash equivalents at 1 January		1,602,388	1,123,026
<b>Cash and cash equivalents at 31 December</b>		<b>489,296</b>	<b>1,602,388</b>
<b>Group</b>		<b>2017 £</b>	<b>2016 £</b>
Cash and cash equivalents consists of:			
Cash at bank and in hand		606,355	1,602,388
<b>Cash and cash equivalents at 31 December</b>		<b>606,355</b>	<b>1,602,338</b>
<b>Company</b>			
Cash and cash equivalents consists of:			
Cash at bank and in hand		399,559	1,524,403
<b>Cash and cash equivalents at 31 December</b>		<b>399,559</b>	<b>1,524,403</b>

## Notes to the financial statements

at 31 December 2017

### 1. Statutory information

Imparta Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the General Information page.

### 2. Accounting policies

#### Basis of preparing the financial statements

These financial statements have been prepared in accordance with the provisions of Section 1A "Small Entities" of Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The financial statements are presented in sterling which is the functional currency of the group and rounded to the nearest £.

#### Basis of consolidation

The group financial statements incorporate the financial statements of the company and entities controlled by it (its subsidiary undertakings). All the subsidiary undertakings have been included in the group financial statements using the purchase method of accounting. Accordingly the group income statement and the group statement of cash flows include the results and cash flows of the subsidiary undertakings.

The results of any subsidiaries acquired or disposed of during the year are included in the group income statement from the effective date of acquisition/formation or up to the effective date of disposal, as appropriate.

#### Going concern

The group meets its day-to-day working capital requirements through a number of long term contracts with a number of customers across different geographic areas and industries. The directors have a reasonable expectation that the group will be able to operate within the level of its current facilities and that they have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### Significant judgements and estimates

The following judgements (apart from those involving estimates) have been made in the process of applying the above accounting policies that have had the most significant effect on amounts recognised in the financial statements:

##### Intangible assets - goodwill

Goodwill arising on business combinations is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful life. The Group establishes a reliable estimate of the useful life of goodwill. This estimate is based on a variety of factors such as the expected use of the acquired business, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses. Costs incurred in relation to the acquisition of Procter Consultancy Limited are treated collectively as an intangible asset and are amortised over an estimated useful economic life of 20 years.

## Notes to the financial statements

at 31 December 2017

### 2 Accounting policies (continued)

#### (c) Intangible assets - other

Costs incurred in the creation of the company's software platforms that meet the criteria required for capitalisation in terms of FRS 102 are treated collectively as an intangible asset and amortised over an estimated useful economic life of 5 years, commencing from the date the asset is brought into use for commercial purposes.

Costs incurred in relation to patents and trademarks are treated collectively as an intangible asset and are amortised over an estimated useful economic life of 10 years.

On an annual basis the director's review the intangible fixed assets for indications of impairment and if required make provisions to reduce the carrying value to the fair value of the assets.

#### Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost (or deemed cost) or valuation less accumulated depreciation and accumulated impairment losses. Cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life as follows:

Fixtures and fittings	-	10% straight line per annum
Office equipment	-	20% straight line per annum
Computer equipment	-	20% and 33% straight line per annum

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

#### Investments

Other fixed asset investments are stated at cost less provision for impairment. The carrying values of fixed asset investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

#### Loans and borrowings

Loans and borrowings are initially recognised at the transaction price including transaction costs. The company has convertible loan notes and entered into a new deed of variation for the existing loan agreement. Details of these transactions are found under note 15 on page 22. Interest is payable on a quarterly and annual basis.

#### Foreign currencies

Foreign currency transactions are initially recognised by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. All differences arising on these transactions are taken to the income statement. Subsidiaries' financial statements denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Exchange differences arising on consolidation are taken to reserves.

## Notes to the financial statements

at 31 December 2017

### 2 Accounting policies (continued)

#### Research and development

Research and development expenditure is written off to the profit and loss account in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

#### Leasing commitments

Costs incurred in respect of operating leases are charged on a straight line basis over the term of the lease. Leasing arrangements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting period.

#### Employee benefits

When employees have rendered service to the company, short-term employee benefits to which the employees are entitled are recognised at the undiscounted amount expected to be paid in exchange for that service.

The company operates a defined contribution plan for the benefit of its employees. Contributions are expensed as they become payable.

There is a provision made in the financial statements in relation to pensions that are contractually provided for in employee service agreements. Where the pension relates to a director, the cost of this has been included as part of directors' emoluments in the notes to the financial statements.

The company operates a stakeholder pension scheme that is open to all employees. The company makes additional contributions towards this scheme in accordance to the UK auto enrolment pension requirements.

#### Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable net of VAT and trade discounts. Where the outcome cannot be measured reliably, turnover is recognised only to the extent of the expenses recognised that are recoverable.

The company generates service revenue from licence fees, course fees and service fees. The policies adopted for the recognition of turnover from services rendered are as follows:

#### Licence fees

Licence fees are earned under software license agreements to end-users.

Turnover from perpetual licenses to end-users are recognised when licences are made available to the client in accordance with the contract, statement of work or wording on the invoice if collection of the resulting receivable is probable, the fee is fixed and determinable, and there are no significant post-delivery obligations. If an acceptance period is required, revenues are recognised upon the earlier of customer acceptance or the expiration of the acceptance period. Revenues from licences for a defined or finite period are recognised evenly over this period.



## Notes to the financial statements

at 31 December 2017

### 2. Accounting policies (continued)

The company generates the following types of service revenue:

#### Course fees

The company facilitates learning programmes. Revenue from such courses is generally recognised rateably as the courses take place. Turnover from courses are recognised rateably as the courses take place.

#### Service fees

Services consist of support arrangements, consulting, tailoring and development services. When the outcome of a transaction can be estimated reliably, turnover from service fees is recognised by reference to the stage of completion at the balance sheet date. Stage of completion is measured by reference to service performed.

Support agreements generally call for the company to provide technical support and provide certain rights to software updates to customers. Revenue on technical support and software update rights is recognised evenly over the term of the support agreement. The company provides consulting and tailoring services to its customers; revenue from such services is generally recognised as the services are performed.

#### Interest and dividends receivable

Interest income is recognised using the effective interest method and dividend income is recognised as the company's right to receive payment is established.

#### Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing stock to its present location and condition. Cost is calculated using the first-in, first-out formula. Provision is made for damaged, obsolete and slow-moving stock where appropriate.

#### Tax

Current tax represents the amount of tax payable or receivable in respect of the taxable profit (or loss) for the current or past reporting periods. It is measured at the amount expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax represents the future tax consequences of transactions and events recognised in the financial statements of current and previous periods. It is recognised in respect of all timing differences, with certain exceptions. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expense in tax assessments in periods different from those in which they are recognised in the financial statements. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of timing differences. Deferred tax on revalued non-depreciable tangible fixed assets and investment properties is measured using the rates and allowances that apply to the sale of the asset.

# Notes to the financial statements

at 31 December 2017

## 2. Accounting policies continued

### Financial instruments policy

Financial assets and financial liabilities are recognised in the balance sheet when the company becomes a party to the contractual provisions of the instrument.

Trade and other debtors and creditors are classified as basic financial instruments and measured at initial recognition at transaction price. Debtors and creditors are subsequently measured at amortised cost using the effective interest rate method. A provision is established when there is objective evidence that the company will not be able to collect all amounts due.

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank and bank overdrafts which are an integral part of the company's cash management.

Financial liabilities and equity instruments issued by the company are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

## 3. Turnover

Turnover in respect of continuing activities represents amounts receivable for services net of VAT and trade discounts. 67% (2016 - 63%) of turnover is attributable to geographical markets outside the United Kingdom.

## 4. EBITDA

This is stated after charging:

		Group 2017	Group 2016
Auditors remuneration	- audit services (current year)	18,900	15,750
	- other services (current year)	23,130	76,775
Directors Remuneration		507,660	677,474
Amortisation of intangible fixed assets		281,427	250,907
Operating lease rentals	- land and buildings	<u>239,313</u>	<u>157,090</u>

## 5. Directors and Employees

(a) Staff costs including directors' remuneration

	2017 £	2016 £
Wages and salaries	4,415,244	4,517,024
Social security costs	498,608	501,484
Other pension costs	42,707	30,396
	<u>4,956,559</u>	<u>5,048,904</u>

## Notes to the financial statements

at 31 December 2017

### 5. Directors and Employees (continued)

Wages and salaries costs include £211,300 (2016: £208,994) which relate to the costs capitalised for the development of intangible fixed assets.

The average monthly number of employees, including directors, during the year was made up as follows:

	2017 No.	2016 No.
Research and development	15	17
Selling and distribution	38	33
Administrative	20	19
	<u>73</u>	<u>69</u>

### 6. Interest receivable and other finance income

	2017 £	2016 £
Bank interest received	1,542	3,818
	<u>1,542</u>	<u>3,818</u>

### 7. Interest payable and other finance expense

	2017 £	2016 £
Loan note interest paid	29,253	21,634
Other	20,874	19,510
	<u>50,127</u>	<u>41,144</u>

### 8. Dividends

	2017 £	2016 £
Final dividend	326,119	-
	<u>326,119</u>	<u>-</u>

# Notes to the financial statements

at 31 December 2017

## 9. Intangible fixed assets Group

	<i>Goodwill costs</i>	<i>Platform development</i>	<i>Patents and trademarks</i>	<i>Formation costs</i>	<i>Total</i>
	£	£	£	£	£
Cost:					
At 31 December 2016	288,415	1,500,470	40,472	8,228	1,837,855
Exchange Adjustments	-	(469)	(27)	(345)	(841)
Additions	-	268,130	3,361	-	268,130
Write off	-	-	-	-	-
At 31 December 2017	288,415	1,768,131	44,076	7,883	1,837,855
Amortisation:					
At 31 December 2016	100,946	755,696	12,800	8,171	877,612
Exchange Adjustments	-	(462)	(17)	(340)	(819)
Provided during the year	14,421	262,499	4,708	52	281,680
Write off	-	-	-	-	-
At 31 December 2017	115,367	1,017,733	17,490	7,883	1,158,472
Net book value:					
At 31 December 2017	173,049	750,398	26,586	-	950,032
At 30 December 2016	187,470	744,774	27,942	57	960,243

## Company

	<i>Goodwill costs</i>	<i>Platform development</i>	<i>Patents and trademarks</i>	<i>Formation costs</i>	<i>Total</i>
	£	£	£	£	£
Cost:					
At 31 December 2016	288,415	1,491,824	37,977	-	1,818,216
Additions	-	268,130	3,361	-	268,130
Write off	-	-	-	-	-
At 31 December 2017	288,415	1,759,954	41,338	-	2,089,707
Amortisation:					
At 31 December 2016	100,946	747,133	11,048	-	859,127
Provided during the year	14,421	262,423	4,434	-	281,127
Write off	-	-	-	-	-
At 31 December 2017	115,367	1,009,556	15,482	-	1,140,405
Net book value:					
At 31 December 2017	173,049	750,398	25,855	-	949,302
At 30 December 2016	187,470	744,691	26,928	-	959,089

## Notes to the financial statements

at 31 December 2017

### 10. Tangible fixed assets

#### Group

	<i>Fixtures and fittings</i>	<i>Office equipment</i>	<i>Computer equipment</i>	<i>Total</i>
	£	£	£	£
Cost:				
At 31 December 2016	327,040	66,397	185,301	578,738
Exchange Adjustments	-	-	53	53
Additions	-	-	29,358	29,358
Disposals	-	-	(37,978)	(37,978)
At 31 December 2017	327,040	66,397	176,734	570,171
Depreciation:				
At 31 December 2016	316,560	53,918	161,496	531,974
Exchange Adjustments	-	-	149	149
Provided during the year	2,280	4,638	17,566	24,484
Disposals	-	-	(37,775)	(37,775)
At 31 December 2017	318,840	58,556	141,436	518,832
Net book value:				
At 31 December 2017	8,200	7,842	37,262	51,339
At 31 December 2016	8,515	12,480	24,902	46,799

#### Company

	<i>Fixtures and fittings</i>	<i>Office equipment</i>	<i>Computer equipment</i>	<i>Total</i>
	£	£	£	£
Cost:				
At 31 December 2016	326,849	66,397	180,484	573,732
Additions	-	-	29,359	29,359
Disposals	-	-	(37,978)	(37,978)
At 31 December 2017	326,849	66,397	171,864	565,113
Depreciation:				
At 31 December 2016	318,446	53,917	157,469	529,832
Provided during the year	2,170	4,638	16,290	23,098
Disposals	-	-	(37,775)	(37,775)
At 31 December 2017	320,616	58,555	135,984	515,155
Net book value:				
At 31 December 2017	6,232	7,842	35,880	49,958
At 30 December 2016	8,405	12,480	23,016	43,900

# Notes to the financial statements

at 31 December 2017

## 11. Fixed assets investments

	<i>Group</i> £	<i>Company</i> £
As at 31 December 2016 & 31 December 2017	-	1

	Class of holding	Percentage held	Status
Subsidiary undertakings:			
Imparta Pty Ltd.	Ordinary	100%	Trading
Imparta, Inc.	Ordinary	100%	Trading

The above trading companies are involved in sales and marketing training services.

Imparta Pty Ltd is incorporated in Australia.

Imparta, Inc. is incorporated in the United States of America.

## 12. Stocks

	<i>Group</i>		<i>Company</i>	
	2017	2016	2017	2016
	£	£	£	£
Course materials	-	11,497	-	11,497

## 13. Debtors

	<i>Group</i>		<i>Company</i>	
	2017	2016	2017	2016
	£	£	£	£
Trade debtors	2,466,006	1,227,622	2,298,974	793,487
Amounts owed by parent company	2,090,258	-	2,090,258	-
Amounts owed by subsidiary undertakings	-	-	855,448	1,307,155
Other debtors	71,598	34,479	69,318	31,825
Corporation Tax	-	143,505	-	143,505
Deferred tax	226,054	226,053	226,054	226,054
Prepayments and accrued income	449,994	710,101	442,676	416,472
	<u>5,303,910</u>	<u>2,341,760</u>	<u>5,985,729</u>	<u>2,918,498</u>

# Notes to the financial statements

at 31 December 2017

## 14. Creditors: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Bank overdraft	91,856	-	91,856	-
Trade creditors	338,114	219,280	292,090	191,289
Corporation Tax	-	-	-	-
Other tax and social security cost	199,626	138,196	197,725	137,722
Other creditors	104,670	8,145	104,670	8,145
Accruals and Deferred income	1,037,462	799,490	1,017,182	709,958
	<u>1,770,726</u>	<u>1,165,111</u>	<u>1,703,523</u>	<u>1,047,114</u>

## 15. Loans

	<i>Group</i>		<i>Company</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Wholly repayable within two - five years:				
5% convertible loan notes, wholly repayable from 30 April 2010 (see below)	422,900	431,878	422,900	431,878
5% loan notes, wholly repayable 30 June 2020 (see below)	834,952	387,263	834,952	387,263
	<u>1,257,852</u>	<u>819,141</u>	<u>1,257,852</u>	<u>819,141</u>

The company issued 11,029 5% convertible unsecured loan notes of £40 each ('loan notes') on 30 April 2004, raising a total of £441,186 (£431,878 after general expenses). The purpose of the issue was to raise additional funds for growth purposes. The loan notes are convertible on the later of 30 April 2010 and the fifth business day following the redemption by the company of all Series 'A-1' shares and the payment of all outstanding dividends or interest payable to the holders of the Series 'A-1' shares as detailed above, subject to a final redemption date of 30 April 2020. The loan notes are convertible into ordinary shares at the rate of £0.025 nominal for every £40 nominal of loan notes converted.

On 22 June 2015 the company entered into a 5% unsecured loan agreement with a Non-Executive Director (the lender) raising £387,263. This loan agreement has been amended under a deed of variation of facility agreement on 2 June 2017 to amend the final repayment date. Under the new deed of variation, the company now has the right to repay part or all of the loan at any time up to the final repayment date of 30 June 2020. On 15 September 2018, a further loan £447,689 of 5% loan notes were issued to a non-executive director. The loan notes are repayable in 2020.

# Notes to the financial statements

at 31 December 2017

## 16. Share capital

<i>Allotted, called up and fully paid</i>	<i>2017 No.</i>	<i>2016 No.</i>	<i>2017 £</i>	<i>2016 £</i>
Ordinary shares of 2.5 pence each	160,767	132,846	4,019	3,321
Ordinary 'A' shares of 2.5 pence each	49,409	21,314	485	533
	<u>180,176</u>	<u>154,160</u>	<u>4,504</u>	<u>3,854</u>

During the year, the company bought back 26,016 shares, with a nominal value of £0.025 each for £325,701.

## 17. Reconciliation of shareholder funds and Statement on movement on reserves

<b>Group</b>	<b>Share Capital</b>	<b>Share Premium</b>	<b>Capital Redemption Reserve</b>	<b>Profit &amp; Loss</b>	<b>Total</b>
At 31 December 2016	3,854	-	1,632	2,972,949	2,978,435
Share Premium on Options Purchased	650	325,701	-	-	326,351
Exchange Losses Arising On Consolidation - AUS	-	-	-	3,098	3,098
Exchange Losses Arising On Consolidation - US	-	-	-	25,671	25,671
Profit For The Year	-	-	-	966,478	966,478
Dividends	-	-	-	(326,119)	(326,119)
At 31 December 2017	<u>4,504</u>	<u>325,701</u>	<u>1,632</u>	<u>3,642,076</u>	<u>3,973,914</u>

<b>Company</b>	<b>Share Capital</b>	<b>Share Premium</b>	<b>Capital Redemption Reserve</b>	<b>Profit &amp; Loss</b>	<b>Total</b>
At 31 December 2016	3,854	-	1,632	3,585,647	3,591,133
Share Buyback	650	325,701	-	-	326,351
Profit For The Year	-	-	-	920,664	920,664
Dividends	-	-	-	(326,119)	(326,119)
At 31 December 2017	<u>4,504</u>	<u>325,701</u>	<u>1,632</u>	<u>4,180,192</u>	<u>4,512,029</u>



## Notes to the financial statements

at 31 December 2017

### 18. Pensions and other post-retirement benefits

#### Defined contribution pension plans

The company contributes to the defined contribution money purchase personal pension schemes of certain employees.

The pension charge for the year represents contributions payable by the company to the schemes and amounted to £24,689 (2016: £30,396). The unpaid pension contributions outstanding at the year end included in accruals (note 13) were £0 (2015: £945).

### 19. Leasing commitments

At 31 December 2017, the company had total commitments under non-cancellable operating leases for land and buildings as follows:

	<i>Group</i>		<i>Company</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Operating leases which expire:				
Within one year	245,204	203,689	245,204	203,689
Between one and five year	350,739	595,943	350,739	595,973
In more than 5 years				
	<u>595,943</u>	<u>799,632</u>	<u>595,943</u>	<u>799,632</u>

### 20. Related party transactions

During the year the Group entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at 31 December with other related parties, are as follows:

	<i>Sales to related party</i>	<i>Purchases from related party</i>	<i>Amounts owed by related party</i>	<i>Amounts owed to related party</i>
<i>Related party</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Directors				
2017	-	29,250	-	-
2016	-	42,763	-	387,263
	<u>-</u>	<u>72,013</u>	<u>-</u>	<u>387,263</u>

# Notes to the financial statements

at 31 December 2017

## 20. Related party transactions (continued)

### *Terms and conditions of transactions with related parties*

Sales and purchases between the company and its Directors are made at normal market prices.

### *Transactions with subsidiary undertakings*

Advantage has been taken of the exemptions available under FRS 102 Section 1A.21 regarding transactions with the entities that are part of the group on the grounds that the consolidated financial statements of the group are publically available.

Key management personnel compensation in the year totalled £507,660 (2016 - £ 650,474).

## 21. Reconciliation of profit to net cash (outflow)/inflow from operating activities

	<i>Group</i>	<i>Group</i>
	<i>2017</i>	<i>2016</i>
	<i>£</i>	<i>£</i>
Group operating profit / (loss) for the year	874,097	733,937
<b>Adjustments to reconcile profit for the year to net cash flow</b>		
(Profit)/loss on disposal of intangible fixed assets	-	93
(Profit)/loss on disposal of tangible fixed assets	(203)	-
Depreciation and impairment of tangible fixed asset	24,483	26,955
Amortisation and impairment of intangible asset	281,680	250,908
Decrease / (Increase) in stock	11,497	1,140
Decrease/ (Increase) in trade debtors	(1,238,385)	(118,888)
(Increase) / Decrease in other receivables	249,519	266,169
Increase in trade creditors	118,834	36,277
(Decrease) / Increase in other payables	157,955	(243,173)
(Decrease) in deferred income	239,710	(86,244)
(Decrease) / Increase in accruals and provisions	(1,740)	(149,606)
Net cash flow from operating activities	<u>717,448</u>	<u>717,568</u>

## 22. Individual statement of comprehensive income

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the parent company is not presented as part of these financial statements. The parent company's profit for the year ended was £920,664 (2016: £1,035,006).

## **Notes to the financial statements**

at 31 December 2017

### **23. Ultimate Controlling Party**

The immediate parent company is The Capability Group Limited.

The ultimate controlling party is Mr R J Barkey.

### **24. Post balance sheet events**

There were no material post balance sheet events to report.