

Transforming Training with Technology Limited

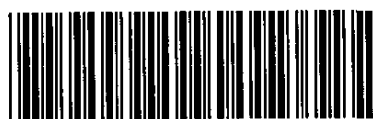
Annual Report and Consolidated Financial Statements For the year ended 31 December 2019

Registration number: 10908456

Parent Company of:

Survivex Ltd.

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Transforming Training with Technology Limited

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Transforming Training with Technology Limited

Company Information

Directors	M Somerville
	G D Sword
	K N Franklin
	P M M Sinclair
Registered number	10908456
Registered office	Hurn View House
	5 Aviation Park West
	Bournemouth International Airport
	Christchurch
	Dorset
Auditor	BH23 6EW
	BDO LLP
	Arcadia House
	Maritime Walk
	Ocean Village
	Southampton
	SO14 3TL

Transforming Training with Technology Limited

Strategic Report

For the year ended 31 December 2019

The directors present their strategic report together with the audited financial statements for the year ended December 2019.

Introduction

The aim of the Group is to transform the global training landscape within the energy sector by creating the most advanced and flexible range of training solutions currently available.

Principal activities

The principal activities of the group are:

Training: Best-in-class learning experiences delivered at state-of-the-art training centres and on-site mobile training hubs in countries all around the world.

Software & Technology: A revolutionary and globally available cloud-based platform that transforms the entire training and workforce management process.

Simulators: World leading Immersive products that enhance on-the-job performance by changing the way a workforce prepares for work and tests their skills.

The principal activity of the company is that of a holding company.

Fair review of the business

We aim to present a balanced and comprehensive review of the development and performance of our business during the year and its position at the year end. Our review is consistent with the size and nature of the business and is written in the context of the risks and uncertainties we face.

The group's key financial and other performance indicators during the year/period were as follows:

	Unit	Year ended 31 December 2019	10 August 2017 to 31 December 2018
Revenue	£	40,250,288	33,332,240
Gross Margin	£	23,420,373	17,894,049
Gross Margin %	%	58	54
EBITDA	£	10,594,009	4,751,148

*EBITDA is calculated as earnings before interest, tax, depreciation, amortisation and non-recurring items.

The Group has seen some notable customer contract wins across the divisions which has underpinned continued growth into the current year.

On 17 October 2019 the Group sold AIS Technical Limited, for consideration of £10.9m, as part of its strategy to focus on our core sectors and markets. Following the disposal, a repayment totalling £3.0m was made against existing senior debt facilities and repayments totalling £8.0m were made to loan note holders.

2019 has been a year of significant investment, which will underpin the Group's performance into 2020 and beyond.

Transforming Training with Technology Limited

Strategic Report – continued

Principal risks and uncertainties

The principal risks and uncertainties relate to Covid-19 and the subsequent ongoing challenging economic conditions across global oil and gas markets and the wider economy and the consequent impact upon the Group's anticipated order values, contract commitments and related cash flows. This risk is managed as far as possible via diversification across a wide range of customers and products and services and so the group is not reliant upon any single customer, or group of customers, or upon any single product or service. The Group has diversified its revenue streams and the geographic expansion and footprint has also helped to mitigate the risk of the challenging economic environment.

Other risks include the potential obsolescence of the group's products and the risks of competition. The group invests appropriately to ensure that the range of products and services offered to customers remains at the forefront of oil and gas simulation technology. As such, the risks of obsolescence and competition are considered low.

Foreign exchange risk principally relates to the GBP to USD exchange rate as a relatively high proportion of revenues are collected in US dollars. The risk is mitigated by drawing debt funding denominated in Dollars, this protects covenant testing against fluctuations and allows utilisation of excess Dollars through interest payments. The exposure to foreign currency is also reviewed by the directors and managed via forward exchange currency contracts where appropriate.

The business' principal financial instruments comprise bank debt, trade debtors, trade creditors and intercompany loans and loan notes both to and from the Group. The main purpose of these instruments is to finance the business' operations. The Group bank debt is fixed until 2022.

In respect of bank balances, all of the business' cash balances are held in such a way that achieves a competitive rate of interest. The Group makes use of money market facilities where funds are available.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits. The amounts presented in the balance sheet are net of allowances for doubtful debtors. Trade creditors' liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

Covid-19

The Coronavirus pandemic is having a material impact on 3T Group's current operations with our training centres and all our offices currently closed although we are planning to reopen mid-May as there are more positive signs of demand for our critical safety training. In addition the business has continued software support and development from remote locations despite the challenges of the pandemic. The directors are assessing the longer term impact in terms of demand, where there has been a significant impact on the oil and gas sector, methods of operating our training centres and offices in the future to ensure the safety of our employees and our delegates as well as our supply chain. The Going Concern implications of Covid-19 are examined further on note 2. It should be added that it is not yet clear how widespread the virus will be at any one time, how long the pandemic will last and what the medium to long term effect of this pandemic will be.

Transforming Training with Technology Limited

Strategic Report - continued

Impact of Brexit

The directors have assessed the principal risks and uncertainties relating to the possible impact of Brexit upon the group and have taken steps to ensure any risks arising from the assessment are mitigated. The group trades globally, with a high proportion of sales being for export outside of the United Kingdom. Key suppliers to the group are based in the UK with minimal purchases originating from the European Union. As such, the directors do not consider that Brexit will have a material adverse impact upon the group in the foreseeable future.

Future developments

To maintain our position in the market we will continue to develop new products and services, continue to invest in and develop new technology and technology solutions, and invest appropriately when growth opportunities arise. During the year the Group has invested significant resource into the development of our current and new technology offerings, including Virtual Reality programmes, training-based applications and Augmented Reality and E-Learning courses. In line with the Group's strategy plan over the next five years, these assets will bring additional revenue streams.

Building from the success in 2019 and taking into account the impact of COVID-19, the Group has set out reasonable objectives to achieve for the coming financial year. The Directors believe the Group is well placed with the new strategic focus, cashflow management and planning and a strong management team.

Going concern

The financial statements have been prepared on the going concern basis as the directors have prepared detailed budgets for a period of at least 12 months from the date of signing the accounts which show that the group is able to meet all its liabilities as they fall due. However, it is acknowledged that the global and UK outbreak of COVID-19 has had a profound impact on the global and UK economy and businesses, and therefore the directors have produced a detailed going concern stress test for Transforming Training with Technology Limited for which further detail is given within note 1 to the financial statements. Having completed this the directors are confident of being able to trade for a period of at least 12 months from the approval of the financial statements.

Transforming Training with Technology Limited

Strategic Report - continued

Section 172 of the Companies Act 2006

The directors of the group and company consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard to the following matters of Section 172 of the Companies Act 2006:

- the likely consequences of any decision in the long term,
- the interests of the company's employees,
- the need to foster the company's business relationships with suppliers, customers and others,
- the impact of the company's operations on the community and the environment,
- the desirability of the company maintaining a reputation for high standards of business conduct, and
- the need to act fairly as between members of the company.

In addition, the Directors introduced a new enhanced risk management process, focussing on the principal risks and uncertainties at strategic level. This process will help to further enhance the corporate governance principles in the business and allow further engagement with its customers, suppliers and employees. Throughout 2020, the Board will continue to review and challenge how the company can improve engagement with its employees and stakeholders.

Post balance sheet events

Since the balance sheet date the global disruption caused by COVID-19 has become ever more evident. The situation is fast changing and the scale of the impact on the global economy, on capital markets and on individual businesses remains uncertain.

The amounts stated in these financial statements reflect conditions existing as at the balance sheet date and no adjustments have been made as a result of COVID-19. The Group has a strong balance sheet and significant liquid assets. The Directors' view on the group going concern has been disclosed in the strategic report and note 2 of the financial statements.

Further post balance sheet events are detailed in note 27 Subsequent events.

Approved by the Board on 7th May 2020 and signed on its behalf by:



.....
K N Franklin
Director

Transforming Training with Technology Limited

Directors' Report

For the year ended 31 December 2019

The directors present their report and the consolidated financial statements for the year ended 31 December 2019.

Directors of the group

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

M Somerville

G D Sword

K N Franklin

P M M Sinclair (appointed 14 November 2019)

Results and dividends

The loss for the year amounted to £6,028,642 (period ended 31 December 2018 £12,136,241). No dividend was declared or paid during the year or prior period.

Political contributions

The company/group made no political donations or incurred any political expenditure during the year (period ended 31 December 2018: £Nil).

Disclosure of information to the auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- So far as each director is aware, there is no relevant audit information of which the company's auditor is not aware; and
- Each director has taken all the steps that they ought to have taken in their duty as a director in order to make themselves aware of any relevant audit information and to establish that the group's auditor is aware of that information.

Qualifying third party indemnity provisions

The company has put in place qualifying third party indemnity provisions for all directors of Transforming Training with Technology Limited.

Employment of disabled persons

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

Transforming Training with Technology Limited

Directors' Report – continued

For the year ended 31 December 2019

Other matters

In accordance with section 414C(11) of the Companies Act 2006, information regarding financial risk management, objectives and policies, going concern, information on exposure to price risk, credit risk, liquidity risk and cashflow risks and future developments has been disclosed in the Strategic Report.

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Approved by the Board on 7th May 2020 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'K N Franklin', is written over a horizontal line.

K N Franklin
Director

Transforming Training with Technology Limited

DIRECTORS' RESPONSIBILITIES STATEMENT

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 loss of the company for that year.

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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

Independent Auditor's Report to the Members of Transforming Training with Technology Limited

Opinion

We have audited the financial statements of Transforming Training With Technology Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2019 which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity and Consolidated Statement of Cash Flows, and the notes to the financial statements, 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, including Financial Reporting Standard 102 *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 2019 and of the Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company 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.

Material uncertainty relating to going concern

We draw attention to note 2 which explains that the company and the group may require further funds to finance the group's activities going forward should the COVID-19 pandemic and consequential lockdown affect operations or impact market demand for a prolonged period in excess of 6 months. Given current levels of uncertainty, that there could be a significant impact on trade beyond June 2020 which would mean that such financial support becomes necessary. Whether or not such funding will be accessible depends on the impact of the COVID-19 outbreak on the wider group itself and on the appetite of the group's bankers and other investors to provide the necessary funding

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Independent Auditor's Report to the Members of Transforming Training with Technology Limited - continued

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Directors report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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 we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinions 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 Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the 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 Strategic report and Directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Independent Auditor's Report to the Members of Transforming Training with Technology Limited - continued

Responsibilities of Directors

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, and for such internal control as the Directors determine is 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 Group's 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.

Auditor's 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 auditor's 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: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



James Newman (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Southampton, UK

Date: 7 May 2020

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

Transforming Training with Technology Limited

Consolidated Profit and Loss Account

For the year ended 31 December 2019

	Note	Continued operations Year Ended 31 December 2019 £	Discontinued operations Year Ended 31 December 2019 £	Total Year Ended 31 December 2019 £	Continued operations 10 August 2017 to 31 December 2018 £	Discontinued operations 10 August 2017 to 31 December 2018 £	Total 10 August 2017 to 31 December 2018 £
Revenue	3	36,665,440	3,584,848	40,250,288	28,873,776	4,458,464	33,332,240
Cost of sales		(14,697,989)	(2,131,926)	(16,829,915)	(12,971,898)	(2,466,292)	(15,438,191)
Gross profit		21,967,451	1,452,922	23,420,373	15,901,877	1,992,172	17,894,049
Administrative expenses		(20,292,304)	(566,989)	(20,859,293)	(22,350,089)	(613,306)	(22,963,395)
EBITDA (before non-recurring items)		9,569,648	1,024,362	10,594,010	3,372,281	1,378,866	4,751,148
Depreciation	13	(1,067,202)	(59,629)	(1,126,831)	(1,100,723)	-	(1,100,723)
Amortisation	12	(5,177,575)	(76,530)	(5,254,105)	(6,935,328)	-	(6,935,328)
Non-recurring items	4	(1,649,724)	(2,269)	(1,651,993)	(1,784,442)	-	(1,784,442)
Operating profit/(loss)	5	1,675,147	885,934	2,561,079	(6,448,212)	1,378,866	(5,069,345)
Other interest receivable and similar income	6	27,527	-	27,527	43,509	-	43,509
Interest payable and similar charges	7	(8,960,396)	(669)	(8,961,065)	(7,553,484)	-	(7,553,484)
Profit on disposal of operations	28	-	1,132,254	1,132,254	-	-	-
(Loss)/profit before taxation		(7,257,722)	2,017,519	(5,240,204)	(13,958,187)	1,378,866	(12,579,321)
Taxation (charge)/credit	11	(788,439)	-	(788,439)	443,080	-	443,080
(Loss)/profit for the financial year/period		(8,046,161)	2,017,519	(6,028,642)	(13,515,107)	1,378,866	(12,136,241)
Loss attributable to:							
Shareholders of the parent company				(6,028,642)			(12,136,241)
Total loss				(6,028,642)			(12,136,241)

The notes on pages 20 to 53 form part of these financial statements.

Transforming Training with Technology Limited

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	Year Ended 31 December 2019 £	10 August 2017 to 31 December 2018 £
Loss for the year/period	(6,028,642)	(12,136,241)
Foreign currency differences	-	(615)
Total comprehensive loss for the year/period	<u>(6,028,642)</u>	<u>(12,136,856)</u>
Total comprehensive loss attributable to:		
Shareholders of the parent company	<u>(6,028,642)</u>	<u>(12,136,856)</u>
Total comprehensive loss	<u>(6,028,642)</u>	<u>(12,136,856)</u>

The notes on pages 20 to 53 form part of these financial statements.

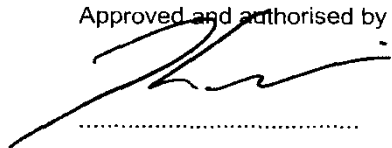
Transforming Training with Technology Limited

Consolidated Balance Sheet

At 31 December 2019

	Note	31 December 2019 £	31 December 2018 £
Fixed assets			
Intangible assets	12	63,260,106	73,668,028
Tangible assets	13	8,714,821	9,068,866
Investments	14	90,199	35,269
		<u>72,065,126</u>	<u>82,772,162</u>
Current assets			
Stocks	15	2,099,874	2,621,209
Debtors (due after one year - £684,651 (31 December 2018: £899,782))	16	8,718,216	10,633,945
Cash at bank and in hand		3,984,227	2,112,572
		<u>14,802,317</u>	<u>15,367,726</u>
Creditors: Amounts falling due within one year	17	<u>(6,844,934)</u>	<u>(11,784,742)</u>
Net current assets		<u>7,957,383</u>	<u>3,582,984</u>
Total assets less current liabilities		80,022,509	86,355,146
Creditors: Amounts falling due after more than one year	17	(94,648,928)	(95,172,736)
Provisions for liabilities	18	<u>(3,014,079)</u>	<u>(2,794,266)</u>
Net liabilities		<u>(17,640,498)</u>	<u>(11,611,856)</u>
Capital and reserves			
Called up share capital	20	525,000	525,000
Profit and loss account		<u>(18,165,498)</u>	<u>(12,136,856)</u>
Shareholder's deficit		<u>(17,640,498)</u>	<u>(11,611,856)</u>

Approved and authorised by the Board on 7th May 2020 and signed on its behalf by:



K N Franklin

Director

Company Registration Number: 10908456

The notes on pages 20 to 53 form part of these financial statements.

Transforming Training with Technology Limited

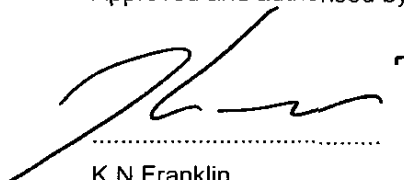
Company Balance Sheet

At 31 December 2019

	Note	31 December 2019 £	31 December 2018 £
Fixed assets			
Intangible assets	12	10,365	-
Tangible assets	13	3,984	-
Investments	14	<u>35,254,434</u>	<u>34,417,079</u>
		<u>35,268,783</u>	<u>34,417,079</u>
Current assets			
Debtors	16	2,810,536	2,645,711
Cash at bank and in hand		<u>43,489</u>	<u>22,990</u>
		2,854,025	2,668,701
Creditors: Amounts falling due within one year	17	<u>(7,223,694)</u>	<u>(2,274,154)</u>
Net current assets		<u>(4,369,668)</u>	<u>394,547</u>
Total assets less current liabilities		30,899,114	34,811,625
Creditors: Amounts falling due after more than one year	17	<u>(27,989,686)</u>	<u>(36,398,127)</u>
Net assets/(liabilities)		<u>2,909,428</u>	<u>(1,586,502)</u>
Capital and reserves			
Called up share capital		525,000	525,000
Profit and loss account		<u>2,384,428</u>	<u>(2,111,502)</u>
Shareholder's funds/(deficit)		<u>2,909,428</u>	<u>(1,586,502)</u>

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The profit after tax of the parent company for the year was £4,495,930 (loss after tax for period ended 31 December 2018: £(2,111,502)).

Approved and authorised by the Board on 7th May 2020 and signed on its behalf by:



K N Franklin

Director

Company Registration Number: 10908456

The notes on pages 20 to 53 form part of these financial statements.

Transforming Training with Technology Limited

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Called up share capital £	Profit and loss account £	Total £
At 10 August 2017	-	-	-
Loss for the year	-	(12,136,241)	(12,136,241)
Other comprehensive income	-	(615)	(615)
Total comprehensive loss	-	(12,136,856)	(12,136,856)
Issue of shares	525,000	-	525,000
At 31 December 2018	525,000	(12,136,856)	(11,611,856)

	Called up share capital £	Profit and loss account £	Total £
At 1 January 2019	525,000	(12,136,856)	(11,611,856)
Loss for the year	-	(6,028,642)	(6,028,642)
Total comprehensive loss	-	(6,028,642)	(6,028,642)
At 31 December 2019	525,000	(18,165,498)	(17,640,498)

The notes on pages 20 to 53 form part of these financial statements.

Transforming Training with Technology Limited

Company Statement of Changes in Equity

For the year ended 31 December 2019

	Called up share capital £	Profit and loss account £	Total £
At 10 August 2017	-	-	-
Shares issued in year	525,000	-	525,000
Loss for the period	-	(2,111,502)	(2,111,502)
At 31 December 2018	525,000	(2,111,502)	(1,586,502)

	Called up share capital £	Profit and loss account £	Total £
At 1 January 2019	525,000	(2,111,502)	(1,586,502)
Profit for the year	-	4,495,930	4,495,930
At 31 December 2019	525,000	2,384,428	2,909,428

The notes on pages 20 to 53 form part of these financial statements.

Transforming Training with Technology Limited

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

		Year ended 31 December 2019	10 August 2017 to 31 December 2018
	Note	£	£
Cash flows from operating activities			
Loss for the year/period		(6,028,642)	(12,136,241)
Adjustments for:			
Depreciation	13	1,126,831	1,100,723
Amortisation	12	5,254,105	6,935,328
Loss on sales of tangible fixed assets		-	4,446
Profit on disposal of operation	28	(1,132,254)	-
Interest receivable and similar income	6	(27,527)	(43,509)
Interest payable and similar charges	7	8,961,066	7,553,484
Taxation	11	788,439	(443,080)
Foreign exchange		-	(615)
		<u>8,942,018</u>	<u>2,970,537</u>
Working capital adjustments			
Decrease in stock	15	521,335	235,199
Decrease/(increase) in trade and other debtors	16	1,880,845	(391,247)
Increase in trade and other creditors	17	<u>(2,930,652)</u>	<u>(177,618)</u>
Cash generated from operations		8,413,544	2,636,871
Income taxes paid		<u>(359,734)</u>	<u>(81,206)</u>
Net cash flow from operating activities		<u>8,053,810</u>	<u>2,555,665</u>
Cash flows from investing activities			
Interest received		27,527	43,509
Acquisitions of tangible fixed assets	13	(1,560,815)	(599,073)
Acquisition of intangible assets	12	(2,108,435)	(1,919,723)
Proceeds from disposal of subsidiaries	28	10,850,000	-
Cash disposed of with business operation	28	(714,242)	-
Acquisition costs from disposal of subsidiaries	28	(92,542)	-
Cash paid for investments in associate undertakings	14	(55,000)	-
Cash paid to acquire subsidiary undertakings		-	(34,383,957)
Cash acquired with subsidiary undertakings		<u>-</u>	<u>(1,044,870)</u>
Net cash inflows/(outflows) from investing activities		<u>6,346,493</u>	<u>(37,904,114)</u>

The notes on pages 20 to 53 form part of these financial statements.

Transforming Training with Technology Limited

Consolidated Statement of Cash Flows - continued

For the year ended 31 December 2019

	Note	Year ended 31 December 2019 £	10 August 2017 to 31 December 2018 £
Cash flows from financing activities			
Interest paid	7	(1,771,607)	(258,253)
(Repayment)/proceeds from bank loan		(3,000,000)	16,000,000
Debt issue fees		-	(887,537)
Proceeds from issue of loan notes		-	5,582,030
Proceeds from issue of intercompany loan notes		26,951	14,322,638
Repayment of loan notes due to group undertakings		(7,689,802)	(171,000)
Proceeds from intercompany loans		-	2,873,142
Payments of finance lease liabilities		(94,192)	-
Net cash flows from financing activities		<u>(12,528,650)</u>	<u>37,461,021</u>
Net increase in cash and cash equivalents		1,871,655	2,112,572
Cash and cash equivalents at start of the year		<u>2,112,572</u>	<u>-</u>
Cash and cash equivalents at end of year		<u>3,984,227</u>	<u>2,112,572</u>

The notes on pages 20 to 53 form part of these financial statements.

Transforming Training with Technology Limited

Notes to the Financial Statements

For the year ended 31 December 2019

1 General information

Transforming Training with Technology Limited ("the company") is a private company limited by share capital and incorporated and domiciled in the UK.

The address of its registered office is:

Hurn View House
5 Aviation Park West
Bournemouth International Airport
Christchurch
Dorset
BH23 6EW

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These 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"). The presentation currency of these financial statements is Sterling.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

The Group and Company have applied FRS 102 (March 2018) in these financial statements, which includes the amendments as a result of the Triennial Review 2017. The December 2017 amendments to FRS 102 are mandatory for accounting years beginning on or after 1 January 2019, but may be applied early. The Directors took the option to apply the amendments to FRS102 early in the preparation of the prior year financial statements for the year ended 31 December 2018

Summary of disclosure exemptions

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 and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the year;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

Transforming Training with Technology Limited

Notes to the Financial Statements - continued

2 Accounting policies - continued

Summary of disclosure exemptions (continued)

As the consolidated financial statements of Transforming Training with Technology Limited include the disclosures equivalent to those required by FRS 102, the company has also taken the exemptions available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 Share Based Payments; 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.

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up for the year ended 31 December 2019 (prior period being from 17 August 2017 to 31 December 2018).

A subsidiary is an entity controlled by the company. Control is achieved where the company has the power to govern the financial and operating 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.

The results of subsidiaries acquired or disposed of during the year are included in the Profit and Loss Account from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the group. Under section 408 of the Companies Act 2006, the company is exempt from the requirement to present its own profit and loss account.

A joint venture is a contractual arrangement undertaking in which the group exercises joint control over the operating and financial policies of the entity. Where the joint venture is carried out through an entity, it is treated as a jointly controlled entity. The group's share of the profits less losses of associates and of jointly controlled entities is included in the consolidated profit and loss account and its interest in their net assets is recorded on the balance sheet using the equity method.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full.

Transforming Training with Technology Limited

Notes to the Financial Statements - continued

2 Accounting policies - continued

Going concern

The financial statements have been prepared on the going concern basis as the directors have prepared detailed budgets for a period of at least 12 months from the date of signing the accounts which show that the group is expected to be able to meet all its liabilities as they fall due. However, it is acknowledged that COVID-19 has had a profound impact on the global and UK economy and businesses.

The directors have produced a detailed going concern stress test for Transforming Training With Technology Limited. The conclusion of our stress test for Transforming Training With Technology Limited group is that the business could sustain the loss of more than £16m (33%) of turnover versus our previous projections over the course of the 12 months following the date of the financial statements excluding further cost reductions and other mitigating actions, without breaching covenants related to the group's current banking facilities. In the event that such a loss of turnover materialises, the group may need to secure waivers to certain covenants. The company and the group may also require further funds to finance the group's activities going forward should the COVID-19 pandemic and consequential lockdown affect operations or impact market demand for a prolonged period in excess of 6 months.

The Directors currently consider that it is entirely feasible, given current levels of uncertainty, that there could be a significant impact on trade beyond September 2020 which could mean that such financial support becomes necessary. Whether or not such funding will be accessible depends on the impact of the COVID-19 outbreak on the wider group itself and on the appetite of the group's bankers and investors to provide the necessary funding, both of whom have expressed indications of support should this requirement arise.

These conditions indicate the existence of a material uncertainty that may cast significant doubt over the company's and the group's ability to continue as a going concern.

However, the Group is expected to remain in a strong financial position during the forecast period and we see a progressive recovery over the remainder of 2020. The directors expect the group's bankers and investors to be supportive during this timeframe if required. In forecasting and scenario planning, the directors have also excluded the possible benefits derived from any use of Government lending if required and the expected relief on cash demand that access to such support would bring. The Directors are therefore confident of being able to trade for a period of at least 12 months from the approval of the financial statements and the Directors have therefore concluded that it is appropriate for the financial statements to be prepared on the going concern basis.

Transforming Training with Technology Limited

Notes to the Financial Statements – continued

Accounting policies - continued

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Company's activities. Revenue is shown net of sales/value added tax, returns, rebates and discounts.

Revenue on maintenance contracts is recognised on a monthly basis over the term of the contract and technical support revenue is recognised at the time the work is completed for the customer.

The revenue and costs of portable simulators are recognised in full on the date of shipment. Risk is considered to have been transferred to the customer at this date. With regards to larger simulators, revenues and costs are reviewed at the point of factory acceptance under the terms and condition of the sale regarding the transfer of the risks and rewards. At this date a proportion of revenue and costs are recognised based on the level of costs spent as a proportion of estimated total costs. Although the majority of risk has been transferred to the customer at this point, installation and training costs and revenues are still to be incurred by the company. All remaining costs and revenues are not recognised until the point of final acceptance from the customer.

For other goods sold, revenue is recognised when the goods are physically delivered to the customer. For training services, revenue is recognised when the training course has been delivered to the customer.

Revenue in relation to finance lease contracts are recognised at the fair value of the contract at the commencement of the lease term, or, if lower, the present value of the minimum lease payments accruing to the lessor, computed at a market rate of interest. On a case-by-case basis any performance obligations within a finance lease are assessed to ensure revenue for each performance obligation is recognised appropriately and in the appropriate accounting year. The cost of sale recognised at the commencement of the lease term is the cost, or carrying amount if different, of the leased asset less the present value of the unguaranteed residual value. The difference between the sales revenue and the cost of sale is the selling profit, which is recognised in accordance with the entity's policy for outright sales. Initial direct costs (costs that are incremental and directly attributable to negotiating and arranging a lease) are included in the initial measurement of the finance lease receivable and revenue recognition. Interest income on the finance lease receivable is recognised over the length of the lease on a straight line basis in the profit and loss account, calculated at the market rate of interest.

Transforming Training with Technology Limited

Notes to the Financial Statements - continued

2 Accounting policies - continued

Revenue recognition - continued

Revenue in relation to operating lease contracts are recognised over the life of the lease term, on a straight-line basis to the profit and loss account. The associated tangible fixed asset is capitalised within the balance sheet.

Revenue for hardware and software upgrades are installed on site. Revenue and costs are recognised in the year in which the upgrade is installed/commissioned and signed off by the customer.

Revenue on integration advisory services are recognised using the percentage of completion method as services are provided (according to criteria applied on a consistent basis). Under the percentage of completion method, the extent of progress towards completion is measured based on actual costs incurred to total estimated costs. Losses on contracts are recognised during the year in which the loss first becomes probable and can be reasonably estimated.

Foreign currency transactions and balances

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing rates at the balance sheet date. All exchange differences are included in the profit and loss account. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

The balance sheets of overseas subsidiary undertakings are translated at the rate ruling at the balance sheet date and the profit and loss account is translated at an average rate for the year of the financial statements. The exchange differences arising on the retranslation of opening net assets is taken directly to other comprehensive income. All other translation differences are taken to the profit and loss account.

Transforming Training with Technology Limited

Notes to the Financial Statements - continued

2 Accounting policies - continued

Tax

Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current corporation tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the group operates and generates taxable income.

Deferred corporation tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements and on unused tax losses or tax credits in the Group. Deferred corporation tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Tangible assets

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses arising from an annual review.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Leasehold improvements	20 years straight line
Fixtures, fittings and office equipment	3 to 6 years straight line
Motor vehicles	4 years straight line
Plant and machinery	3 to 6 years straight line

Goodwill

Goodwill is amortised over its useful life of 20 years, with amortisation being charged to the profit and loss account.

Intangible assets

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Transforming Training with Technology Limited

Notes to the Financial Statements - continued

2 Accounting policies - continued

Intangible assets - continued

Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting year date.

Trademarks, licences (including software) and customer-related intangible assets acquired in a business combination are recognised at fair value at the acquisition date.

Trademarks, licences and customer-related intangible assets have a finite useful life and are carried at cost less accumulated amortisation and any accumulated impairment losses.

Expenditure on research and activities is recognised in the profit and loss account as an expense when incurred.

Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the group intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the group can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development related expenditure which doesn't qualify for capitalisation are recognised in the profit and loss account as an expense when incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Goodwill	20 years straight line
Orderbook	1 year straight line
Customer relationships	5-10 years straight line
Technology	10 years straight line
Development costs	Over its useful economic life of five years
Computer software	Up to 5 years straight line

Amortisation on intangible assets commences at the point the asset is available for use, ie when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Transforming Training with Technology Limited

Notes to the Financial Statements - continued

2 Accounting policies - continued

Investments

Investments in subsidiary undertakings are stated at cost less provision for impairment in value arising from an annual review.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price less attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

Stocks

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the weighted average principle and includes all costs incurred in bringing each product to its present location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

At the end of each reporting year inventories are assessed for impairment, based on condition, aging and usage in the year. When a reversal of impairment is recognised the impairment charge is reversed, up to the original loss and recognised as a credit in the profit and loss.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the group does not have an unconditional right, at the end of the reporting year, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price plus attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Transforming Training with Technology Limited

Notes to the Financial Statements - continued

2 Accounting policies - continued

Borrowings

Interest-bearing borrowings (including loan notes due to group undertakings) are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the year / year of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Provisions

Provisions are recognised when the group has an obligation at the reporting date as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The group typically provides a product warranty to customers as part of the sales contract. A provision is made at the balance sheet date to cover costs expected to be incurred under such product warranty claims. Historic warranty costs have been very low, and the directors anticipate that this is likely to continue.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the year of the lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation.

Lease payments are apportioned between finance costs in the Profit and Loss Account and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Transforming Training with Technology Limited

Notes to the Financial Statements - continued

2 Accounting policies – continued

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting year in which the dividends are declared and approved.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the group has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

Research and Development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised to 'administrative expenses on a straight line basis over their expected useful economic lives.

The expected useful economic life of development costs are estimated based on business plans which set out the development plan and time to market for the associated project.

If it is not possible to distinguish between the research phase and the development phase of an internal project the expenditure is treated as if it were all incurred in the research phase only.

Transforming Training with Technology Limited

Notes to the Financial Statements - continued

Impairment

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire entity into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss recognised for goodwill is not reversed. Impairment losses recognised for other assets is reversed only if the reasons for the impairment have ceased to apply. Impairment losses recognised in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Transforming Training with Technology Limited

Notes to the Financial Statements - continued

Judgements in applying accounting policies and key sources of estimation

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made are noted below:

Amortisation and depreciation - The company establishes a reliable estimate of the useful lives of tangible and intangible fixed assets.

Revenue recognition - Where additional costs are expected to be incurred, a proportion of the revenue and costs of sales are recognised in the profit and loss account based on the level of costs to date compared to the estimated total costs.

Warranty costs - Warranty provisions are provided to cover expected costs to be incurred against warranties included to customers as part of the sales contracts. These are based on a combination of specific items where possible and past experience.

Bad debt provision - The directors have completed a review of the trade debtor balances to determine which balances are unlikely to be received and a provision has been accounted for where necessary.

Stock provision - In estimating net realisable values of inventories, management takes into account the most reliable evidence available at the year end. During the year, the company adopted a policy of providing for inventory when it reaches a certain age and also for any inventory where there are specific quality concerns. This judgement takes into account forecast sales and product quality issued based on historical data.

Finance leases - Management exercises judgement in determining the classification of leases as finance or operating leases at inception of the lease. Management considers the likelihood of exercising break clauses or extension options in determining the lease term. Where the lease term constitutes substantially all of the economic life of the asset, or where the present value of minimum lease payments amount to substantially all of the fair value of the property, the lease is classified as a finance lease. All other leases are classified as operating leases.

Development costs – development costs are capitalised in line with the company's accounting policy. Management assess the recoverability of these costs throughout the financial year with reference to the associated products to ensure economic benefit is still being generated from these products.

Impairment of group's tangible and intangible assets – determine whether there are indicators of impairment of the group's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. Growth rates between 1.5% and 3% and discount rates between 12% to 14% have been applied in reviewing the fair value of such assets.

Business Combinations – determine whether the acquired intangible assets are identifiable in terms of being separable and arise from contractual or legal rights. This has been determined on a basis that reflects an amount that the group would have paid for the asset in an arm's length transaction between knowledgeable and willing parties, based on the best information available. If the fair value could not be measured reliably, the asset is not recognised as a separate intangible asset, but is included in goodwill.

Transforming Training with Technology Limited

Notes to the Financial Statements – continued

Judgements - continued

Dilapidation provisions - As part of the company's property leasing arrangements there is an obligation to repair damages which incur during the life of the lease, such as wear and tear. The cost is charged to the profit and loss as the obligation arises. The provision is expected to be utilised as the leases terminate.

3 Revenue

The analysis of the group's revenue for the year by market is as follows:

	Year ended 31 December 2019 £	10 August 2017 to 31 December 2018 £
UK	28,137,315	19,837,642
Rest of world	12,112,973	13,494,598
	<u>40,250,288</u>	<u>33,332,240</u>

The analysis of the group's turnover for the year by class of business is as follows:

	Year ended 31 December 2019 £	10 August 2017 to 31 December 2018 £
Training	23,815,931	13,844,195
Manufacturing	1,988,550	4,932,317
Simulation products	14,149,537	14,444,278
Software development	296,270	111,450
	<u>40,250,288</u>	<u>33,332,240</u>

4 Non-recurring items

	Year ended 31 December 2019 £	10 August 2017 to 31 December 2018 £
Non-recurring costs	1,651,994	1,784,442
	<u>1,651,994</u>	<u>1,784,442</u>

Non-recurring costs relate to one off redundancy and integration costs incurred following acquisitions within the wider 3T Energy group, which are deemed to be non-recurring costs during the year ended 31 December 2019.

Transforming Training with Technology Limited

Notes to the Financial Statements – continued

5 Operating loss

Group

The operating loss is stated after charging

	Year ended 31 December 2019 £	10 August 2017 to 31 December 2018 £
Depreciation of tangible fixed assets	1,126,831	1,100,723
Amortisation of intangible assets, including goodwill	5,254,105	6,935,328
Foreign exchange loss	111,757	335,119
Operating lease expense - property	1,935,947	1,567,464
Defined contribution pension costs	225,651	209,147
Distribution costs	-	95,977
Loss on disposal of tangible fixed assets	<u>8,009</u>	<u>4,446</u>

Fees payable to Group auditors have been disclosed in note 10.

Company

The company had a profit of £4,495,930 for the year (loss of £2,111,502 during the period ended 31 December 2018).

6 Interest receivable and similar income

	Year ended 31 December 2019 £	10 August 2017 to 31 December 2018 £
Bank interest receivable	505	1,225
Other interest receivable – finance income from finance leases	<u>27,022</u>	<u>42,284</u>
	<u>27,527</u>	<u>43,509</u>

7 Interest payable and similar charges

	Year ended 31 December 2019 £	10 August 2017 to 31 December 2018 £
Bank interest payable	2,033,811	500,922
Finance lease interest payable	5,272	78,711
Loans notes owed to group undertakings interest payable	6,554,667	6,860,412
Other loan interest payable	21,633	3,589
Foreign exchange on bank loans	(234,215)	50,150
Amortisation of debt issue costs	<u>579,898</u>	<u>59,700</u>
	<u>8,961,066</u>	<u>7,553,484</u>

Transforming Training with Technology Limited

Notes to the Financial Statements - continued

8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	Year ended 31 December 2019	10 August 2017 to 31 December 2018
	£	£
Wages and salaries	7,517,995	11,355,554
Social security costs	596,399	813,915
Pension costs, defined contribution scheme	225,651	209,147
	<u>8,340,044</u>	<u>12,378,616</u>

As at 31 December 2019, staff costs included in work in progress amounted to £399,217 (31 December 2018: £224,538).

The average number of persons employed by the group (including directors) during the year, analysed by category was as follows:

	Year ended 31 December 2019	10 August 2017 to 31 December 2018
	No.	No.
Sales, production and software development	97	136
Administration and support	34	9
Training	167	165
	<u>298</u>	<u>310</u>

Payroll costs of £657,456 (period ended 31 December 2018: £1,256,633) included in the above were capitalised during the year within Software in note 12.

There were 11 persons employed by the company (including directors) during the year (period ended 31 December 2018: 9).

Transforming Training with Technology Limited

Notes to the Financial Statements - continued

9 Directors' remuneration

The directors' remuneration of Transforming Training with Technology Limited paid by the group during the year was as follows:

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Remuneration	251,915	80,500
Contributions paid to money purchase pension schemes	3,249	-
	<u>255,165</u>	<u>80,500</u>

From the date of incorporation to 31 October 2018 the remuneration of directors of Transforming Training with Technology Limited was paid by the ultimate parent undertaking of the group, 3T Energy Group Limited. From 1 November 2018 remuneration of the directors was paid by Transforming Training with Technology Limited.

During the year the number of directors who were receiving benefits and share incentives was as follows:

	Year ended 31 December 2019 No.	Period ended 31 December 2018 No.
Accruing benefits under money purchase pension scheme	-	-

In respect of the highest paid director:

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Remuneration	211,300	35,040
Group contributions to money purchase pension schemes	-	-
Other costs	-	-

Transforming Training with Technology Limited

Notes to the Financial Statements - continued

10 Auditor's remuneration

	Year ended 31 December 2019 £	10 August 2017 to 31 December 2018 £
Audit of group financial statements	10,000	5,750
Audit of subsidiary financial statements	66,000	62,000
	<u>76,000</u>	<u>67,750</u>

Amounts receivable by the company's auditor and its associates in respect of:

Taxation compliance services	33,875	26,750
Audit-related assurance services	-	23,000
Other tax advisory services	63,950	-
	<u>97,825</u>	<u>49,750</u>

11 Taxation

Tax credited in the profit and loss account

	Year ended 31 December 2019 £	10 August 2017 to 31 December 2018 £
Current taxation		
UK Corporation tax	513,334	-
Foreign tax	167,752	(30,257)
Adjustments in respect of prior periods	32,541	-
Total current tax charge/(credit)	<u>713,627</u>	<u>(30,257)</u>
Deferred taxation (see note 20)		
Arising from origination and reversal of timing differences	(251,345)	(412,823)
Adjustments in respect of prior periods	326,157	-
Total deferred tax charge/(credit)	<u>74,812</u>	<u>(412,823)</u>
Tax charged/(credit) in the profit and loss account	<u>788,439</u>	<u>(443,080)</u>

Transforming Training with Technology Limited

Notes to the Financial Statements - continued

11 Taxation – continued

Reconciliation of effective tax rate

	Year ended 31 December 2019 £	10 August 2017 to 31 December 2018 £
Loss before tax	(5,240,203)	(12,579,321)
Corporation tax at standard rate of 19%	(995,638)	(2,390,071)
Effect of expense not deductible in determining taxable profit	2,281,963	949,719
Effect of foreign tax rates	21,110	(30,257)
Adjustments in respect of prior periods	358,698	-
Deferred tax credit relating to adjust deferred tax to average rate	(14,810)	68,804
Deferred tax not recognised	(167,383)	104,224
Transfer pricing adjustment	338,099	116,974
Transfer out of fixed assets	(133,741)	-
Income not taxable for tax purposes	(1,782,758)	-
Research & development	-	(11,287)
Group relief	882,899	748,814
Total tax credit	788,439	(443,080)

Within the summer budget reductions in UK corporation tax rate were announced taking rates down to 18% from 1 April 2020. Reductions in corporation tax from 20% to 19% were effective from 1 April 2017, with a further reduction to 18% from 1 April 2020. These reductions were substantively enacted on 26 October. An additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2019. This will reduce the Company's future tax charge accordingly. The standard rate for UK corporation tax used in the year ended 31 December 2019 was 19%.

Transforming Training with Technology Limited

Notes to the Financial Statements - continued

12 Intangible assets

Group	Goodwill £	Orderbook £	Customer relationships £	Technology £	Software £	Total £
Cost or valuation						
At 1 January 2019	62,445,742	1,056,000	4,540,000	9,315,866	3,245,749	80,603,357
Additions	82,000	-	-	-	1,287,434	2,108,435
Disposals	(8,160,654)	-	-	-	(270,186)	(8,430,839)
At 31 December 2019	55,106,088	1,056,000	4,540,000	9,315,866	4,262,998	74,280,952
Amortisation						
At 1 January 2019	(3,303,675)	(1,056,000)	(433,641)	(1,115,352)	(1,026,660)	(6,935,327)
Amortisation charge	(3,216,733)	-	(454,000)	(931,587)	(651,785)	(5,254,105)
On disposals	1,001,529	-	-	-	167,056	1,168,585
At 31 December 2019	(5,518,879)	(1,056,000)	(887,641)	(2,046,938)	(1,511,389)	(11,020,846)
Carrying amount						
At 31 December 2019	49,587,209	-	3,652,359	7,268,928	2,751,609	63,260,106
At 31 December 2018	59,142,067	-	4,106,359	8,200,514	2,219,088	73,668,029

Transforming Training with Technology Limited

Notes to the Financial Statements - continued

Amortisation and impairment charge

The whole amortisation charge above totalling £5,454,105 (Period ended 31 December 2018: £7,947,156) has been recognised in administrative expenses in the profit and loss account.

The following intangible assets have been material to the Group's financial statements in the year and the remaining useful life of these assets as at the year end are:

Intangible asset	Remaining useful life
Orderbook	0 years
Customer relationships	7.25 years
Technology	7.25 years

Capitalised development costs are not treated as a realised loss for the purpose of determining the Company distributable profits as the costs meet the conditions requiring them to be treated as an asset in accordance with FRS 102 Section 18.

Impairment review

The group reviews the amortisation year and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 of FRS102. Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

Transforming Training with Technology Limited

Notes to the Financial Statements - continued

13 Tangible assets

Group

	Leasehold improvements £	Furniture, fittings and office equipment £	Motor vehicles £	Plant and machinery £	Total £
Cost or valuation					
At 1 January 2019	6,690,743	704,481	109,266	2,660,046	10,164,536
Additions	164,505	226,804	17,990	1,151,516	1,560,815
Disposal	(18,438)	(378,686)	-	(1,427,110)	(1,824,234)
At 31 December 2019	6,836,809	552,599	127,256	2,384,453	9,901,117
Depreciation					
At 1 January 2019	(417,914)	(179,862)	(13,553)	(484,340)	(1,095,669)
Charge for the year	(333,583)	(163,860)	(3,896)	(625,492)	(1,126,831)
Disposals	1,565	293,826	-	740,813	1,036,203
At 31 December 2019	(749,932)	(49,897)	(17,449)	(369,019)	(1,186,296)
Carrying amount					
At 31 December 2019	6,086,877	502,702	109,807	2,015,434	8,714,821
At 31 December 2018	6,272,828	524,618	95,712	2,175,707	9,068,866

Transforming Training with Technology Limited

Notes to the Financial Statements - continued

14 Investments

Company

Cost	£
At 1 January 2019	34,417,079
Additions	837,355
At 31 December 2019	<u>35,254,434</u>
Carrying amount	
At 31 December 2019	<u>35,254,434</u>
At 31 December 2018	<u>34,417,079</u>

On 20 October 2017, Transforming Training with Technology Limited purchased 100% of the share capital of DS UK Topco Limited and Advanced Industrial Solutions Limited. On 18 September 2018, Transforming Training with Technology Limited purchased 100% of the share capital of Neutron VR Limited. On 31 October 2018, Transforming Training with Technology Limited purchased 100% of the share capital of Survivex Group Limited.

Group

	2019 £	2018 £
Investments in associates	<u>90,199</u>	<u>35,269</u>

Subsidiaries

Cost	£
At 1 January 2019	35,269
Additions	54,931
At 31 December 2019	<u>90,199</u>
Carrying amount	
At 31 December 2019	<u>90,199</u>
At 31 December 2018	<u>35,269</u>

All subsidiary companies registered in the UK and listed on the following page under the Companies Act 2006 are exempt from the requirements of the Companies Act 2006 relating to the audit of accounts under section 479A of the Companies Act 2006. The registered company number of each relevant subsidiary has been listed on the following page.

Transforming Training with Technology Limited

Notes to the Financial Statements - continued

Details of undertakings

Details of the investments (including principal place of business of unincorporated entities) in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	UK Company Number	Registered office (see below)	Holding	Proportion of voting rights and shares held	2019
Subsidiary undertakings					
Survivex Group Limited	SC467255	UK (5)	Ordinary	100%	
Survivex Limited	SC357717	UK (5)	Ordinary	100%	
Survivex TMS Limited	SC467482	UK (5)	Ordinary	100%	
Rigex Limited	SC466107	UK (5)	Ordinary	100%	
Neutron VR Limited	09314258	UK (1)	Ordinary	100%	
Advanced Industrial Solutions Limited	05982756	UK (1)	Ordinary	100%	
DS UK Topco Limited	09505117	UK (1)	Ordinary	100%	
DS UK Midco 1 Limited	09505116	UK (1)	Ordinary	100%	
DS UK Midco 2 Limited	09506608	UK (1)	Ordinary	100%	
Drilling Systems Group Limited	09503545	UK (1)	Ordinary	100%	
Drilling Systems Limited	02295138	UK (1)	Ordinary	100%	
Drilling Systems (USA) Inc		USA (3)	Ordinary	100%	
Drilling Systems (UK) Limited	02509111	UK (1)	Ordinary	100%	
DS Sheet Metal Limited	05162610	UK (2)	Ordinary	100%	
D.S. 2000 Limited	03838137	UK (1)	Ordinary	100%	
DSG International DMCC		UAE (4)	Ordinary	100%	
3T Energy Technology (Tianjin) Co., Ltd		China (6)	Ordinary	66%	

The registered addresses for the subsidiary undertakings are as follows:

1. Hurn View House, 5 Aviation Park West, Bournemouth International Airport, Christchurch, Dorset, BH23 6EW
2. 26 Balena Close, Creekmoor Trading Estate, Poole, Dorset, BH17 7EB
3. 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808
4. Unit 3401-D, Gold Tower (AU), Plot Number JLT-PH1-I3A, Jumeirah Lakes Towers, Dubai, UAE

Transforming Training with Technology Limited

Notes to the Financial Statements - continued

5. Kirkhill Commercial Park Dyce Avenue, Dyce, Aberdeen, AB21 0LQ

6. Room 1402, Shuang Chuang Building, Yu Jia Pu, TEDA, 300457, Tianjin

Transforming Training with Technology Limited only directly holds the share capital of DS UK Topco Limited, Advanced Industrial Solutions Limited, Neutron VR Limited and Survivex Group Limited.

The share capital of Survivex Limited, Survivex TMS Limited and Rigex Limited are held by Survivex Group Limited.

The share capital of DS UK Midco 1 is held by DS UK Topco Limited.

The share capital of DS UK Midco 2 is held by DS UK Midco 1 Limited.

The share capital of Drilling Systems Group Limited is held by DS UK Midco 2 Limited.

The share capital of Drilling Systems (USA) Inc, Drilling Systems Limited and DSG International DMCC, are held by Drilling Systems Group Limited.

The share capital of Drilling Systems (UK) Limited and DS Sheet Metal Limited are held by Drilling Systems Limited.

The share capital of Drilling Systems International is held by DSG International DMCC.

The share capital of D.S. 2000 Limited is held by Drilling Systems (UK) Limited.

The principal activity of DS UK Midco 1 Limited, DS UK Midco 2 Limited, Drilling Systems Group and Survivex Group Limited is a holding company.

The principal activity of Drilling Systems (USA) Inc is a sales branch.

The principal activity of Drilling Systems (UK) Limited is specialist software, control systems, simulation equipment and consultancy.

The principal activity of DS Sheet Metal Limited is sheet metal fabrication. This company ceased trading 30 June 2019.

The principal activity of Drilling Systems International is a dormant company.

The principal activity of D.S. 2000 Limited is a service company. The company ceased trading during the year ended 30 September 2019.

The principal activity of DSG International DMCC is a trading company.

The principal activity of Survivex Limited, Survivex TMS Limited, Rigex Limited, 3T Energy Technology (Tianjin) Co., Ltd and Advanced Industrial Solutions Limited is the provision of training services to the Energy sector.

The principal activity of Neutron VR Limited is the development of software.

Transforming Training with Technology Limited

Notes to the Financial Statements - continued

15 Stocks

Group

	31 December 2019 £	31 December 2018 £
Raw materials	728,950	1,372,832
Work in progress	594,626	377,237
Finished goods	776,298	871,140
	<u>2,099,874</u>	<u>2,621,209</u>

16 Debtors

Group

	31 December 2019 £	31 December 2018 £
Trade debtors	5,909,570	5,940,155
Amounts owed by group undertakings	592,890	700,626
Other debtors	121,815	16,286
Prepayments	670,730	830,314
Corporation tax	-	34,883
Finance lease debtor	831,020	957,703
Accrued income	592,192	2,153,977
	<u>8,718,216</u>	<u>10,633,945</u>
Less non-current portion	<u>(684,651)</u>	<u>(899,782)</u>
Due within one year	<u>8,033,565</u>	<u>9,734,163</u>

Details of non-current trade and other debtors

Group

£237,500 (31 December 2018: £175,000) of accrued income and £447,151 (31 December 2018: £724,782) of finance lease debtors are classified as non-current.

Transforming Training with Technology Limited

Notes to the Financial Statements - continued

16 Debtors (continued)

Company

	31 December 2019 £	31 December 2018 £
Amounts owed by group undertakings	2,538,740	2,645,711
Other debtors	13,710	-
Corporation tax debtor	258,086	-
	<u>2,810,536</u>	<u>2,645,711</u>

Group

	31 December 2019 £	31 December 2018 £
Finance lease receivables		
Due in less than one year	262,756	270,910
Due in one to two years	247,086	256,477
Due in two to three years	200,065	213,175
Due in three to four years	-	255,130
Due in four to five years	-	-
	<u>709,907</u>	<u>995,692</u>
Total undiscounted lease payments receivable		
	<u>(28,888)</u>	<u>(37,989)</u>
Net investment in the lease	<u>681,020</u>	<u>957,703</u>

17 Creditors

	Group 31 December 2019 £	Company 31 December 2019 £	Group 31 December 2018 £	Company 31 December 2018 £
Due within one year				
Trade creditors	1,522,461	161,869	3,209,330	547,258
HP creditor	21,483	-	115,675	-
Amounts due to group undertakings	-	6,266,475	232,180	603,026
Loans due to group undertakings	-	-	2,873,142	-
Corporation tax	421,149	-	-	-
Social security and other taxes	675,853	-	904,385	-
Other creditors	711,411	42,330	403,296	172,637
Accruals and deferred income	<u>3,492,577</u>	<u>753,020</u>	<u>4,046,734</u>	<u>951,234</u>
	<u>6,844,934</u>	<u>7,223,694</u>	<u>11,784,742</u>	<u>2,274,154</u>

Transforming Training with Technology Limited

Notes to the Financial Statements - continued

17 Creditors (continued)

Due after one year	Group 31 December 2019 £	Company 31 December 2019 £	Group 31 December 2018 £	Company 31 December 2018 £
Loans and borrowings	13,473,226	13,473,226	16,049,934	16,049,934
Debt issue costs	(608,481)	(608,481)	(1,190,093)	(1,190,093)
Loan notes due to group undertakings	77,108,400	14,238,846	75,944,848	20,527,188
Accruals	4,675,783	886,095	4,368,047	1,011,097
	<u>94,648,928</u>	<u>27,989,686</u>	<u>95,172,736</u>	<u>36,398,127</u>

Accruals due after one year relate to accrued interest on the loan notes due to group undertakings. This is added to the principal amount on 31 March each year. Accruals less than one year include £53,528 of accrued interest on loans due to group undertakings.

Net Debt - Group

	01 January 2019 £	Cash flows £	Acquisition & disposal of subsidiaries £	Other non-cash changes	31 December 2019 £
Cash at bank	2,112,572	2,585,897	(714,242)	-	3,984,227
Overdrafts	-	-	-	-	-
Bank loans	(14,859,841)	3,000,000	-	(1,004,904)	(12,864,745)
Loan notes due to group undertakings	(80,312,895)	8,037,000	-	(9,508,288)	(81,784,183)
Net debt	(93,060,164)	13,622,897	(714,242)	(10,513,192)	(90,664,701)

18 Deferred tax and other provisions

Group	Deferred tax £	Warranties £	Dilapidations £	Total £
At 1 January 2019	2,408,882	50,000	335,384	2,794,266
Recognised in the profit and loss account	74,812	20,000	124,731	219,543
Provisions released	-	-	-	-
At 31 December 2019	<u>2,483,694</u>	<u>70,000</u>	<u>460,115</u>	<u>3,014,079</u>

The warranty provision relates to product warranties provided by the group to its customers as part of the sales contracts.

The dilapidation provision relates to estimated contractual obligations of restoring operating leases back to the original state of the asset.

Transforming Training with Technology Limited

Notes to the Financial Statements - continued

18 Deferred tax and other provisions (continued)

Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	(Asset)/liabilities 2019 £	(Asset)/liabilities 2018 £
Accelerated capital allowances	648,723	498,294
Tax losses carried forward	(50,641)	(181,581)
Arising on business combinations	1,885,612	2,092,169
Net tax liability	2,483,694	2,408,882

19 Pension and other schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £252,328 (period ended 31 December 2018: £209,147).

Contributions totalling £62,949 (31 December 2018: £19,691) were payable to the scheme at the end of the year and are included in creditors.

20 Called up share capital

Allotted, called up and fully paid shares

	31 December 2019		31 December 2018	
	No.	£	No.	£
Ordinary shares of £1 each	525,000	525,000	525,000	525,000

Rights, preferences and restrictions

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

Transforming Training with Technology Limited

Notes to the Financial Statements – continued

21 Loans and borrowings

Group

	31 December 2019 £	31 December 2018 £
Non-current loans and borrowings		
Long term bank loans	13,473,226	16,049,934
Loan notes owed to group undertakings	<u>77,108,400</u>	<u>75,944,848</u>

The intercompany loan notes held as at 31 December 2019 are held by 3T Energy Subco Limited. The notes are repayable on 31 March 2024 and carry an interest rate of 8% per annum. Interest is calculated in arrears up to 31 March and is payable on 31 March each year by way of payment in kind notes. The amount on interest accrued as at 31 December 2019 on these notes amount to £4,481,063 (31 December 2018: £4,368,047).

The bank loans include a bank loan of £8,800,000, which is repayable on 30 April 2022. For the period 01 January 2019 to 17 October 2019 interest is charged at 4% above base rate (LIBOR) per annum. From 18 October 2019 interest is charged at 1% above base rate (LIBOR) per annum and is payable in 6 monthly instalments by way of payment in kind notes. Interest accrued as payment in kind notes as at 31 December 2019 is £12,526 (31 December 2018: £58,827). Interest is charged at 6% above base rate (LIBOR) per annum on the principal amount plus any payment in kind notes and is payable at 6 monthly instalments from 31 March 2019. Interest accrued as at 31 December 2019 is £90,190 (31 December 2018: £101,845). On the 17 October 2019 a repayment of £1,658,604 was made against the facility.

The bank loans include a bank loan of \$9,198,720, which is repayable on 30 April 2022. For the period 01 January 2019 to 17 October 2019 interest is charged at 4% above base rate (LIBOR) per annum. From 18 October 2019 interest is charged at 1% above base rate (LIBOR) per annum and is payable in 6 monthly instalments by way of payment in kind notes. Interest accrued as payment in kind notes as at 31 December 2019 is \$13,285 (31 December 2018: \$61,493). Interest is charged at 6% above base rate (LIBOR) per annum on the principal amount plus any payment in kind notes and is payable quarterly from 31 March 2019. Interest accrued as at 31 December 2019 is \$119,561 (31 December 2018: \$135,004). On the 17 October 2019 a repayment of \$1,733,754 was made against the facility.

The Group has a revolving credit facility of £3,000,000. Interest is charged at 4.25% above base rate (LIBOR) based upon drawn down amounts. No amounts were drawn down at 31 December 2019 (31 December 2018: £nil). The facility is committed until 31 January 2022.

This revolving credit facility is secured against assets of the companies listed in note 23.

Transforming Training with Technology Limited

Notes to the Financial Statements – continued

22 Obligations under operating leases

Group

Operating leases

Non-cancellable operating lease rentals are payable as follows:

	31 December 2019 £	31 December 2018 £
Not later than one year	1,775,314	2,089,403
Later than one year and not later than five years	6,348,025	6,043,836
Later than five years	<u>17,501,020</u>	<u>21,189,645</u>
	<u>25,624,359</u>	<u>29,322,884</u>

23 Contingent liabilities

The following companies are guarantor in relation to the revolving credit facility of £3,000,000 (interest rate is 4.25% above base rate (LIBOR) based upon drawn down amounts) where the original borrower is Transforming Training With Technology Limited:

- 3T Energy Subco Limited
- Neutron VR Limited
- Advanced Industrial Solutions Limited
- Survivex Limited
- Survivex Group Limited
- Survivex TMS Limited
- DS UK Topco Limited
- DS UK Midco 1 Limited
- DS UK Midco 2 Limited
- Drilling Systems (U.K) Limited
- D S Sheet Metal Limited
- Drilling Systems Limited
- Drilling Systems Group Limited
- D.S. 2000 Limited
- Drilling Systems (USA) Inc

Transforming Training with Technology Limited

Notes to the Financial Statements - continued

24 Related party transactions

Group

Summary of transactions with parent

The company and group have taken advantage of the exemptions in section 33.1A of FRS 102 from disclosing transactions with other members of the group whose financial statements have been included in these consolidated financial statements.

Loan Notes:

On 20 October 2017 as part of the Drilling Systems Group acquisition, DS Midco 1 Limited was acquired by Transforming Training with Technology Limited. DS Midco 1 Limited had investor and management loan notes outstanding on the date of acquisition. The existing loan and management notes were repayable on 31 March 2020 and carried an interest rate of 8% per annum. Interest was calculated in arrears up to 31 March and was payable on 31 March each year by way of payment in kind ("PIK") notes.

On the 20 October 2017, as part of the acquisition, the ownership of all existing loan and management notes held in this company were transferred from Drilling Systems Guernsey Limited and individual management to 3T Energy Subco Limited equivalent to the value of £53,773,729 (Investor loan notes of £52,823,286 and management loan notes of £950,443). At this date, existing principal loan and management notes of £49,715,484 (Investor loan notes of £48,835,768 and management loan notes of £879,716) and interest charged to date of £6,452,211 (interest on investor loan notes of £6,338,631 and interest on management loan notes of £113,580) were transferred and interest amounting to £2,393,966 (interest on investor loan notes of £2,351,113 and interest on management loan notes of £42,853) were waived.

The DS Midco 1 Limited investor loan and management notes as at 31 December 2019 are held by 3T Energy Subco Limited. The notes are repayable on 31 March 2020 and carry an interest rate of 8% per annum. Interest is calculated in arrears up to 31 March and is payable on 31 March each year by way of payment in kind notes. During the year PIK notes of £4,455,588 (31 December 2018: £1,921,122) were issued. The amount of interest accrued as at 31 December 2019 on these notes amount to £3,625,506 (31 December 2018: £3,356,950).

The DS Midco 1 Limited investor loan notes were listed on The International Stock Exchange (TISE) (formerly The Channel Island Stock Exchange) on the date of acquisition. They were delisted on 1 October 2018.

On 20 October 2017, management loan notes of £5,588,352 were issued by Transforming Training with Technology Limited to Directors (£16) and Management (£5,588,336). On 20 October 2017, all management loan notes were transferred to 3T Energy Subco Limited. On 20 October 2017, intragroup loan notes of £8,721,356 were issued to 3T Energy Subco Limited. Both notes are repayable on 31 March 2024 and carry an interest rate of 8% per annum. Interest is calculated in arrears up to 31 March and is payable on 31 March each year by way of payment in kind notes. During the prior period a further £5,594,960 of intragroup loan notes were issued to 3T Energy Subco Limited. PIK notes of £1,410,549 (31 December 2018: £516,329) were issued in the year and intragroup loan notes of £7,689,802 (31 December 2018: £171,000) were repaid. The amount of interest accrued as at 31 December 2019 on these notes amount to £855,558 (31 December 2018: £1,011,097). No Loan notes were held by Directors or Management at 31 December 2019 or 31 December 2018.

Transforming Training with Technology Limited

Notes to the Financial Statements - continued

24 Related party transactions - continued

Purchases of rent:

During the prior period, the group made purchases of rent totalling £196,465 from related parties. The related parties were related by virtue of their influence over the group. At year end £Nil, (31 December 2018: £5,230) was owed to this related party in respect of these transactions.

Key management personnel

Key management personnel include all directors of the group, who together have authority and responsibility for planning, directing and controlling the activities of the group. The total compensation paid to key management personnel for services provided to the group was £886,591 (31 December 2018: £888,834). There were £137,878 amounts outstanding as at the year end (31 December 2018: £nil).

25 Financial instruments

Group

Categorisation of financial instruments

	31 December 2019 £	31 December 2018 £
Financial assets that are debt instruments measured at amortised cost	12,031,713	11,881,320
	<u>12,031,713</u>	<u>11,881,320</u>
Financial liabilities measured at amortised cost	98,607,245	105,175,300
	<u>98,607,245</u>	<u>105,175,300</u>

Company

Categorisation of financial instruments

	31 December 2019 £	31 December 2018 £
Financial assets that are debt instruments measured at amortised cost	2,595,939	2,668,701
	<u>2,595,939</u>	<u>2,668,701</u>
Financial liabilities measured at amortised cost	35,821,862	39,892,279
	<u>35,821,862</u>	<u>39,892,279</u>

Financial assets measured at amortised cost comprise cash at bank and in hand, trade debtors, other debtors, accrued income and amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise bank loans, trade creditors, other creditors, accruals and amounts owed by group undertakings.

Transforming Training with Technology Limited

Notes to the Financial Statements – continued

26 Parent and ultimate parent undertaking

The company's controlling shareholder is Drilling Systems Guernsey Limited, incorporated in Guernsey, Channel Islands. The registered address for Drilling Systems Guernsey Limited is PO Box 656, East Wing, Trafalgar Court, Les Banques, St Peter Port, Guernsey.

Drilling Systems Guernsey Limited is owned by Blue Water Energy Fund I L.P. and Blue Water Energy Fund I-A L.P. These funds are ultimately controlled by BWE General Partner Limited, incorporated in Guernsey, Channel Islands. The registered address for BWE General Partner Limited is PO Box 656, East Wing, Trafalgar Court, Les Banques, St Peter Port, Guernsey.

The immediate parent company is 3T Energy Group Subco Limited. The registered address for 3T Energy Group Subco Limited is Hurn View House, 5 Aviation Park West, Bournemouth International Airport, Christchurch, Dorset, BH23 6EW.

The most senior parent entity producing publicly available financial statements is 3T Energy Group Limited. The registered address for 3T Energy Group Limited is Hurn View House, 5 Aviation Park West, Bournemouth International Airport, Christchurch, Dorset, BH23 6EW.

27 Subsequent events

On the 18th March 2020 the group had drawn down £3m of the RCF facility.

Since the balance sheet date the global disruption caused by COVID-19 has become ever more evident. The situation is fast changing and the scale of the impact on the global economy, on capital markets and on individual businesses remains uncertain.

The amounts stated in these financial statements reflect conditions existing as at the balance sheet date and no adjustments have been made as a result of COVID-19. The Group has a strong balance sheet and significant liquid assets. The Directors' view on the group going concern has been disclosed in the strategic report and note 2 of the financial statements.

Transforming Training with Technology Limited

Notes to the Financial Statements - continued

28 Discontinued operations

Disposal of AIS Technical Limited

On 17 October 2019, Advanced Industrial Solutions Limited disposed of 100% of the ordinary share capital of AIS Technical Limited for consideration of £10,850,000, with selling fees of £341,989. The value of assets and liabilities disposed of are detailed below:

	£
Fixed Assets	
Goodwill	7,796,585
Tangible assets	394,359
Current Assets	
Stock	182,246
Debtors	627,643
Cash at bank and in hand	714,242
Total Assets	9,715,075
Liabilities	
Creditors due within one year	(339,317)
Creditors due after one year	-
Net assets	9,375,758
	£
Consideration	10,850,000
Less Selling Fees	(341,989)
Net Consideration	10,508,011
Less Net Assets	(9,375,758)
Profit on disposal of subsidiary before tax	1,132,254