ESG Intermediate Holdings Limited

Annual report and financial statements for the year ended 31 July 2013

Registered number 06397427

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ESG Intermediate Holdings Limited

Annual report and financial statements for the year ended 31 July 2013

ESG Intermediate Holdings Limited

Directors and advisors

Directors

G Freed
J Dobson

Company secretary

J Dobson

Registered office

12 Europa View
Sheffield Business Park
Sheffield
S9 1XH

Independent auditors

PricewaterhouseCoopers LLP
Donington Court
Pegasus Business Park
Castle Donington
East Midlands
DE74 2UZ

ESG Intermediate Holdings Limited

Directors' report
for the year ended 31 July 2013

The directors present their annual report and the audited financial statements for the year ended 31 July 2013 The company is registered as number 06397427

Principal activity

The principal activity of the company was that of an intermediate holding company for a group engaged in the provision and management of training and employment services

Results and dividends

The results for the year are set out on page 6 Dividends of £nil have been paid for the year ended 31 July 2013 (2012 £nil)

Directors

The directors who served throughout the year, and subsequently, except where indicated, were

G Freed
A Benton (appointed 1 August 2012, resigned 31 October 2013)
J Dobson (appointed 3 October 2012)
M Thurston (resigned 1 August 2012)

Statement of directors' responsibilities

The directors are responsible for preparing 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- 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

ESG Intermediate Holdings Limited

Directors' report
for the year ended 31 July 2013 (continued)

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of liquidity risk and interest rate risk The directors actively manage these risks by monitoring levels of risk, trends in interest rates and the related costs Interest rate caps are used where appropriate and the company generally maintains cash balances together with term loan facilities for the ESG Holdings Limited group that are designed to ensure the group has sufficient available funds for its operations and its required level of working capital Daily, weekly and monthly cash flow forecasts are prepared which forecast 12 months ahead and are continually monitored

The debt is subject to a number of quarterly covenant tests Should the group be unable to successfully meet these, the loan could become repayable on demand To manage this risk the directors maintain forecasts, keep its financiers fully aware of results and forecasts and when anticipated obtain assurance from the lender that no changes to the loan terms will arise that could impact the company's and group's liquidity and ability to meet its obligations

Going concern

The directors consider that the going concern basis is appropriate as the company has received confirmation of group support from its parent company (see note 1)

Auditors and disclosure of information to auditors

In accordance with Section 418, in the case of each director in office at the date the directors' report is approved

- so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Independent auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting

On behalf of the board

G Freed
Director
29 January 2014

Independent auditors' report to the members of ESG Intermediate Holdings Limited

We have audited the financial statements of ESG Intermediate Holdings Limited for the year ended 31 July 2013 which comprise the profit and loss account, the balance sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities on page 2 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 July 2013 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

ESG Intermediate Holdings Limited

Independent auditors' report to the members of ESG Intermediate Holdings Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

David Teager (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
31 January 2014

ESG Intermediate Holdings Limited

Profit and loss account
for the year ended 31 July 2013

	Note	**2013**	2012
		£	£
Administrative expenses	2	**(5,692,553)**	(138,978)
Operating loss – continuing	2	**(5,692,553)**	(138,978)
Income from shares in group undertakings		**-**	500,791
Interest receivable and similar income	5	**-**	19,309
Interest payable and similar charges	6	**(2,074,270)**	(3,050,504)
Loss on ordinary activities before taxation		**(7,766,823)**	(2,669,382)
Tax on loss on ordinary activities	7	**-**	31,515
Loss for the financial year	15	**(7,766,823)**	(2,637,867)

The company has no recognised gains and losses other than the loss for the current and prior year

There is no difference between the loss on ordinary activities before taxation and the loss for the year and their historical cost equivalents

ESG Intermediate Holdings Limited

Balance sheet
as at 31 July 2013

	Note	2013	2012
		£	£
Fixed assets			
Investments	8	**14,647,008**	14,647,008
Tangible assets	9	**144,750**	168,861
		14,791,758	14,815,869
Current assets			
Debtors	10	**773,820**	3,940,715
Cash at bank and in hand		**-**	4,361
		773,820	3,945,076
Creditors. amounts falling due within one year	11	**(13,789,133)**	(12,108,250)
Net current liabilities		**(13,015,313)**	(8,163,174)
Total assets less current liabilities		**1,776,445**	6,652,695
Creditors· amounts falling due after more than one year	12	**(20,449,546)**	(17,568,909)
Provisions for liabilities and charges	13	**(69,948)**	(60,012)
Net liabilities		**(18,743,049)**	(10,976,226)
Capital and reserves			
Called up share capital	14	**413,893**	413,893
Profit and loss account	15	**(19,156,942)**	(11,390,119)
Total shareholder's deficit	16	**(18,743,049)**	(10,976,226)

These financial statements on pages 6 to 16 were approved by the board of directors on the 29 January 2014 and were signed on its behalf by

G Freed
Director

ESG Intermediate Holdings Limited

Registered number 06397427

ESG Intermediate Holdings Limited

Notes to the financial statements for the year ended 31 July 2013

1 Accounting policies

The financial statements have been consistently prepared in accordance with applicable accounting and financial reporting standards in the United Kingdom and the Companies Act 2006 A summary of the more important accounting policies is set out below

Basis of preparation

These financial statements have been prepared under the historical cost convention

The company is included in the consolidated financial statements of its parent company, ESG Holdings Limited, and has taken advantage of the exemption from preparing consolidated financial statements allowed by the Companies Act 2006 and the cash flow statement exemption under Financial Reporting Standard 1

Going concern

Following the disappointing results in the year ended 31 July 2012 and the subsequent change of ownership and the re-finance of the debt the group business has continued to trade ahead of cash forecasts and is now cash self-sufficient, having borrowed £2 8m of the additional £4 5m facility available to it Revised budgets have been prepared which show that the projected cash inflows from trading will be sufficient to settle creditors as they arise The loan is also subject to a number of covenants and, whilst these are subject to fluctuations in working capital and changes in trading, the directors have reviewed forecasts for a period of at least 12 months from the date of signing these financial statements and after receiving written support from Ares Capital Europe (Luxembourg) SARL, do not foresee any matters will arise which would result in changes to the current terms of the loan or repayment being required in the absence of new finance

Investments

Investments are carried at cost including related acquisition expenses with an appropriate provision to reflect any impairment in value that has occurred Any contingent consideration is included at the amount expected to be settled

Tangible fixed assets

Tangible fixed assets are stated in the balance sheet at cost less accumulated depreciation Depreciation is provided at the following rate in order to write off the cost of each asset less its estimated residual value over its estimated useful life

Leasehold improvements - straight line over the remaining lease period

Full provision is made for deferred tax assets and liabilities on a non discounted basis arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted Deferred assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Loan issue costs

The initial issue costs directly incurred in obtaining loan finance are deducted from the loan liability and charged to the profit and loss account over the terms of the loan in proportion to the outstanding liability

Notes to the financial statements for the year ended 31 July 2013 (continued)

2 Operating loss

The operating loss is stated after charging,

	2013	2012
	£	£
Exceptional waiver and expenses of amounts owed by group undertakings	**5,648,861**	-
Depreciation of tangible fixed assets	**24,111**	23,252

The auditors' remuneration for the company, together with certain other administrative expenses, has been borne by another group undertaking and not recharged

3 Staff costs

The company has no employees (2012 none) other than the directors who received no emoluments for their services to the company

4 Directors' remuneration

None of the directors received any emoluments for services to this company for the current year Their emoluments as employees of other group companies are included in the financial statements of those companies

5 Interest receivable and similar income

	2013	2012
	£	£
Interest receivable from group undertakings	-	19,309

6 Interest payable and similar charges

	2013	2012
	£	£
Interest on other loans	**2,074,270**	1,968,206
Amortisation of loan issue costs	-	1,082,298
	2,074,270	3,050,504

7 Tax on loss on ordinary activities

Analysis of tax

The tax credit on the loss on ordinary activities for the year is as follows

	2013	2012
	£	£
Current tax		
UK Corporation tax at 23 67% (2012 25 33%)	-	-
Over provision in prior year	-	(61)
	-	(61)
Deferred tax		
Origination and reversal of timing differences (note 13)	-	31,576
	-	31,576
Tax on loss on ordinary activities	-	31,515

Factors affecting the tax credit for the year

The tax assessed for the year is higher (2012 higher) than the standard rate of corporation tax in the UK of 23 67% (2012 25 33%) The differences are explained below

	2013	2012
	£	£
Loss on ordinary activities before tax	**(7,766,823)**	(2,669,382)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23 67% (2012 25 33%)	**(1,838,407)**	(676,243)
Effects of		
Expenditure not allowable for tax purposes	**1,337,085**	668,116
Depreciation in excess of capital allowances	**5,707**	8,127
Losses surrendered to group companies	**495,615**	-
Over provision in prior year	-	(61)
Current tax credit	-	(61)

8 Investments

	Total
	£
Cost	
At 1 August 2012	20,647,008
Additions	-
At 31 July 2013	**20,647,008**
Impairment	
Provision at 1 August 2012 and **31 July 2013**	**(6,000,000)**
Net book value	
At 31 July 2013	**14,647,008**
At 31 July 2012	14,647,008

The company holds the share capital of the following principal companies incorporated in England and Wales (*indirectly)

Company	Principal activity	Shares held Class	%
ESG Corporate Services Limited (formerly Sheffield Trainers Limited)	Administrative and management services	Ordinary	100
Orient Gold Limited	Non trading subsidiary	Ordinary	100
Broomco (4110) Limited	Intermediate holding company	Ordinary	100
Triangle Training Holdings Limited	Intermediate holding company	Ordinary*	100
Triangle Training Ltd	Non trading subsidiary	Ordinary*	100
ESG (Skills) Limited	Vocational training	Ordinary	100
Sencia Limited	Provision of training and employment services	Ordinary Preference	100 100

Notes to the financial statements for the year ended 31 July 2013 (continued)

9 Tangible fixed assets

	Leasehold improvements £
Cost	
At 1 August 2012	228,796
Additions	-
At 31 July 2013	**228,796**
Accumulated depreciation	
At 1 August 2012	59,935
Charge for year	24,111
At 31 July 2013	**84,046**
Net book value	
At 31 July 2013	**144,750**
At 31 July 2012	168,861

10 Debtors

	2013 £	2012 £
Amounts owed by group undertakings	**753,820**	3,921,132
Prepayments and accrued income	**20,000**	19,583
	773,820	3,940,715

The amounts owed by group undertakings are unsecured, interest free and have no fixed date for repayment

11 Creditors: amounts falling due within one year

	2013	2012
	£	£
Amounts owed to group undertakings	**13,500,440**	11,739,208
Taxation and social security	**234,740**	141,557
Accruals and deferred income	**53,953**	227,485
	13,789,133	12,108,250

The amounts owed to group undertakings are unsecured, interest free and have no fixed date for repayment

12 Creditors: amounts falling due after more than one year

	2013	2012
	£	£
Other loan	**20,449,546**	17,568,909

An analysis of the maturity of the loans is given below

	2013	2012
	£	£
Between one and two years	**20,449,546**	17,568,909

The loan is secured by a fixed charge over the assets of the parent company, ESG Holdings Limited, together with cross guarantees between all group companies Interest is payable at 8% plus the higher of (i) 2% or (ii) LIBOR

The amended facilities agreement allows the deferral of interest payments and repayments until a loan redemption date of 31 January 2015

ESG Intermediate Holdings Limited

Notes to the financial statements for the year ended 31 July 2013 (continued)

13 Provisions for liabilities and charges

	2013	2012
	£	£
Dilapidations provisions	**69,948**	60,012

Dilapidations provisions relate to claims expected to arise at the end of property leases

	£
At 1 August 2012	60,012
Charge for the year	9,936
At 31 July 2013	**69,948**

There is an unrecognised deferred tax asset of £732,000 relating to losses and timing differences in respect of capital allowances The potential asset at 31 July 2013 has not been recognised as the directors do not believe this will ever be realised

A number of changes to the UK Corporation tax system were enacted in the July 2012 Finance Act The rate of corporation tax was reduced from 24% to 23% with effect from 1 April 2013 Legislation to reduce the main rate of corporation tax from 23% to 21% from 1 April 2014 and from 21% to 20% from 1 April 2015 was substantively enacted in July 2013

Notes to the financial statements for the year ended 31 July 2013 (continued)

14 Called up share capital

	2013	2012
	£	£
Authorised, allotted and fully paid		
778,829 'A' ordinary shares of £0 01 each	**7,788**	7,788
200,000 'B' ordinary shares of £0 01 each	**2,000**	2,000
50,000 'C' ordinary shares of £0 01 each	**500**	500
403,605 preferred shares of £1 00 each	**403,605**	403,605
	413,893	413,893

The shares all rank equally in respect of dividend and other rights

15 Profit and loss account

	£
At 1 August 2012	**(11,390,119)**
Loss for the financial year	(7,766,823)
At 31 July 2013	**(19,156,942)**

16 Reconciliation of movements on total shareholder's deficit

	2013	2012
	£	£
Loss for the financial year	**(7,766,823)**	(2,637,867)
Opening total shareholders' deficit	**(10,976,226)**	(8,338,359)
Closing total shareholder's deficit	**(18,743,049)**	(10,976,226)

17 Lease commitments

At the year end the company had annual commitments under non-cancellable operating leases expiring as follows

	Land and buildings	
	2013	2012
	£	£
Under leases expiring		
Between two and five years	**286,585**	263,101

18 Related party disclosures

In preparing these financial statements, the directors have taken advantage of the exemption available under paragraph 29(c) of Financial Reporting Standard 8, Related Party Disclosures, and have not disclosed transactions with other wholly owned group undertakings

Fees of £19,583 were paid to Ares Capital Europe (Luxembourg) SARL in respect of the loan facility (2012 £126,000) An amount of £20,449,546 was owed at 31 July 2013 (£17,569,000) and interest of £2,074,270 (2012 £1,955,143) was payable in respect of the year

19 Ultimate controlling party

The directors consider there to be no ultimate controlling party as defined by Financial Reporting Standard 8 'Related Party Disclosures' The company is a subsidiary of ESG Holdings Limited, its parent company at 31 July 2012, which is the smallest group company to prepare consolidated financial statements Orca (SPV) Limited is the largest group company to prepare consolidated financial statements Following acquisition of the group by Orca (SPV) Limited on 23 July 2012, Ares Capital Europe Limited became the controlling shareholder and Ares Capital Europe LLP the ultimate controlling entity