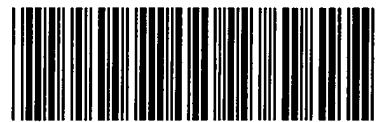


City and Guilds Kineo Limited

Company registration number: 07150983

Directors' Report & Financial Statements
for the year ended
31 August 2014

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Directors' Report

The directors submit their report and audited financial statements of the company for the year ended 31 August 2014.

STRATEGIC REPORT

The City and Guilds Group connects skills to jobs so people and organisations can progress. Within the group, City and Guilds Kineo Limited focuses on helping the world's leading businesses improve performance through learning and technology.

The company remains a leader in the creation, delivery and support of knowledge improvement within organisations. Typical examples of this activity are:

- Induction process
- Compliance training where the employer wishes to have an easy to track list of staff completions.
- Specialist training delivered to workers within an organisation
- Specialist knowledge delivered via portals to workers outside of the organisation
- Provision and support of learning management systems

During the year, through the wider City & Guilds organisation, the Kineo brand has expanded in the US (where customer numbers, revenues and staff numbers have all increased) and in the Asia Pacific region where the purchase of a New Zealand based company has added core offices in Wellington (NZ) and Melbourne (Australia). As a result of the expansion in global operations, the company is able to genuinely support employers on a global basis. This has demonstrable value where client organisations are themselves seeking to make training and performance improvement gains in global teams.

With the full support of the parent organisation, the company has provided the principle management and direction for a larger business unit encompassing much of the group activity directed towards employers. Therefore these financial statements do not consolidate the entire work of the business unit, which has turnover in excess of £20m and solid profitability.

The performance of the company is measured in a number of ways including financial metrics that are included in these financial accounts such as total turnover, net cash flow and the time taken by clients to pay invoices. Internal financial metrics include client invoicing and project profitability. Internally the company utilises a time recording system to track project input and assess performance against budgets and forecasts. Other non-financial metrics include measuring the size of the pipeline of potential future client engagements, the interaction of clients and potential clients with marketing activities, client feedback and staff engagement. There is no one single performance measure that has absolute priority so the management monitor trends and exceptions to establish if business objectives are being achieved.

The company (and wider business unit) employs a large number of staff with deep knowledge, skills and experience. The company deploys a balanced approach to employee reward comprising a base salary, company pension contribution, incentives based on achieving local targets and a healthcare and well-being package. The employee has the ability to flex elements of the reward package to suit their particular requirements and circumstances. The successful recruitment and retention of staff is a risk to the company.

Typically the company will provide services to its clients on the basis of a defined project requirement. Accordingly the risk to the company is that clients do not purchase additional projects or the clients seek alternative suppliers. The company seeks to mitigate this risk by having systems to track potential project opportunities and match these to its resource planning activities. Additionally the company enters into supply agreements with clients whereby pricing will be agreed for a period of typically 2-3 years and the client agrees to ensure that the company is given the opportunity to supply additional projects.

The relatively high turnover of projects means that the company has to continually innovate and understand its clients. Whilst this is a risk to the company, it is also a mechanism by which the company invests in its staff and client relationships to ensure that the portfolio of services remains relevant to the client.

Directors' Report (continued)

The company management set annual financial budgets which are reviewed monthly and reassessed regularly during the financial year. Current matters under consideration by the company include adopting new operational processes to enable quicker and more flexible delivery to clients, as well as expanding the services provided to customers.

The directors are satisfied that the performance of the company is aligned with the strategic objectives of the parent undertaking and also the shorter term business objectives. Accordingly the growth in the cost-base is appropriate to position the company for future growth and client success. The company is planning turnover growth and improved financial results with the explicit financial support of the parent undertaking.

DIRECTORS' REPORT

Principal activities

City and Guilds Kineo Limited (Company number: 07150983) is a member of the City & Guilds Group. It carries out its activities for the benefit of its parent, the City and Guilds of London Institute, a charity, and other members of the Group.

The principal activity of the company remains the creation and delivery of learning to improve organisational performance.

Services include learning consultancy, the development of bespoke e-learning, the supply of generic e-learning as well as on-going hosting and support activities. To assist organisations in their training delivery, City and Guilds Kineo are the leading UK re-seller for the 'Totara' learning management system.

Results

The loss for the period amounted to £2,015,000 (2013: £697,000). The directors do not recommend the payment of a dividend.

Directors and their interests

The directors of the Company who were in office during the year and up to the date of the signing of the financial statements were:

J T Conybeare-Cross
C J Payne

The directors who held office at the end of the financial year have no beneficial interest in the shares of the Company (2013: £nil).

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 period. 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.

Directors' Report (continued)

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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.

Statement of disclosure of information to auditors

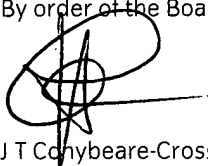
In so far as the directors are aware:

- 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 in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Independent auditors

BDO LLP was reappointed as the company's auditor for the year ended 31 August 2014, and has expressed willingness to continue in office. A resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board



J T Conybeare-Cross

Director

1 December 2014

1 Giltspur Street
London
EC1A 9DD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITY AND GUILDS KINEO LTD.

We have audited the financial statements of City and Guilds Kineo Limited for the year ended 31 August 2014 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2014 and of the result for the year ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.


Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report, including the strategic report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept 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.



James Aston (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Gatwick
Date: 2 December 2014

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

Profit and loss account for the year ended August 2014

	Note	12 months ended 31 August 2014	18 months ended 31 August 2013
		£'000	£'000
Turnover	2	8,935	12,597
Cost of sales		(6,742)	(8,334)
Gross profit		2,193	4,263
Administrative expenses		(4,208)	(4,961)
Operating loss	4	(2,015)	(698)
Interest receivable		-	1
Loss on ordinary activities before and after taxation	6, 13	(2,015)	(697)

These results relate to continuing operations.

The Company has no recognised gains and losses other than those included above, and therefore, no separate statement of total recognised gains and losses have been presented.

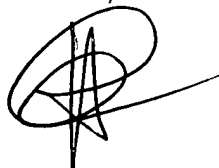
The notes on pages 6 to 12 form part of these financial statements.

Balance Sheet as at 31 August 2014

	Note	31 August 2014 £'000	31 August 2013 £'000
Intangible fixed assets	6	-	930
Tangible fixed assets	7	269	312
Investment	8	322	304
Fixed Assets		591	1,546
Debtors	9	2,350	1,748
Cash at bank and in hand		878	473
Current assets		3,228	2,221
Creditors: amounts falling due within one year	10	(4,699)	(2,275)
Net current liabilities		(1,471)	(54)
Total assets less current liabilities		(880)	1,492
Creditors: amounts falling due after more than one year	11	(1,500)	(1,857)
Provision - deferred tax	12	(12)	(12)
Net liabilities		(2,392)	(377)
CAPITAL & RESERVES			
Called up share capital	13	-	-
Share premium	14	28	28
Profit and loss account	14	(2,420)	(405)
Total Shareholders deficit	14	(2,392)	(377)

The notes on pages 6 to 12 form part of these financial statements.

The financial statements on pages 4 to 12 were approved by the Board of Directors on 1 December 2014 and signed on its behalf by:



J T Conybeare-Cross
Director

Notes to the Financial Statements for the year ended 31 August 2014

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material to the company's financial statements.

1.1 Accounting convention

The financial statements are prepared on a going concern basis under the historical cost convention, and in accordance with the Companies Act 2006 and applicable UK accounting standards.

1.2 Basis for accounting

Company financial statements have been prepared as permitted under the exemption from preparing consolidated financial statements where the company and all of its subsidiary undertakings are included in the consolidated financial statements of a larger group drawn up to the same date by a parent undertaking (The City and Guilds of London Institute). The address of the reporting parent is 1 Giltspur Street, London, EC1A 9DD.

1.3 Cash flow statement

The Company has taken advantage of the exemption permitted by Financial Reporting Standard 1 (revised 1996) 'Cash Flow Statements' and not included a cash flow statement as part of its financial statements. The cash flows of the company are included in the consolidated cash flow statement of the company's parent undertaking.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Cost includes the original purchase price of an asset and any costs attributable to bringing it into use. The policy is to capitalise equipment greater than £1,000. Assets which are subject to a period of construction are depreciated when they are ready for operational use. The cost of fixed assets is depreciated on a straight-line basis over the estimated useful life of the asset as follows:

Computer software and hardware	33%
Fixtures and fittings	33%
Plant and machinery	33%

1.5 Intangible fixed assets

Goodwill, being the excess of the purchase price of acquisitions over the fair value of the net assets acquired, is capitalised in accordance with FRS10 and amortised over its estimated useful economic life (currently 5 years).

When circumstances are identified which give rise to an impairment in the value of any asset, that impairment loss is recognised immediately.

1.6 Turnover

Turnover is based on the invoiced value of services provided, excluding value added tax and trade discounts. Turnover is recognised when the company has obtained the right to consideration in exchange for its performance under each contract.

Long term contracts are assessed on a contract by contract basis and reflected in the profit and loss account by recording turnover and related costs as contract activity progresses. Turnover is ascertained in a manner appropriate to the stage of completion of the contract, and credit taken for profit earned to date when the outcome of the contract can be assessed with reasonable certainty. The amount by which turnover exceeds payments on account is classified as "amounts recoverable on contracts" and included in debtors; to the extent that payments on account exceed relevant turnover and long term contract balances, the excess is included as a creditor.

Notes to the Financial Statements for the year ended August 2014

1. Accounting policies (continued)

1.8 Taxation

Current tax is provided at amounts expected to be paid or recovered using tax rates and laws that have been enacted or substantially enacted at the balance sheet date.

Deferred taxation is recognised in respect of all timing differences that have originated, but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax is measured on a non-discounted basis.

Deferred tax assets are only recognised when the directors are satisfied that the likelihood of future taxable profits arising against which to off-set the deferred tax asset is reasonably assured.

1.8 Pensions

The company has certain employees who are members of a multi-employer benefit scheme. The company accounts for this scheme as a defined contribution arrangement in accordance with the exemptions available under FRS17.

1.9 Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

2. Turnover

	12 months ended 31 August 2014 £'000	18 months ended 31 August 2013 £'000
Learning creation and delivery	8,935	12,597

3. Directors emoluments

The directors received no emoluments in respect of their services to the Company (2013: £nil)

Notes to the Financial Statements for the year ended August 2014

4. Operating loss

Operating loss is stated after charging:

	12 months ended 31 August 2014 £'000	18 months ended 31 August 2013 £'000
Wages and salaries	5,808	6,310
Social security	448	657
Pension	521	305
	6,777	7,272

The average number of employees for the period was 135 (2013: 126).

The company makes contributions on behalf of its employees to a defined contribution and defined benefit pension scheme. Contributions during the year total £187,000 (2013: £80,000) for the defined contribution scheme and £410,000 (2013: £178,000) for the defined benefit scheme.

Since it is not possible for City and Guilds Kineo to separately identify its share of the underlying assets and liabilities of the defined benefit scheme in which it participates on a reasonable and consistent basis, City and Guilds Kineo, as a subsidiary of The City and Guilds of London Institute, has taken advantage of the multi-employer exemption provided by FRS 17 and accounted for the schemes as if they were a defined contribution scheme whereby contributions are charged to the profit and loss account on an accruals basis as they fall due. Please see the financial statements of the City and Guilds of London Institute for further information on this scheme.

	12 months ended 31 August 2014 £'000	18 months ended 31 August 2013 £'000
Audit fees	6	5
Depreciation of tangible fixed assets	97	171
Amortisation of intangible assets	930	1,570
Operating lease charges	207	236

Notes to the Financial Statements for the year ended August 2014

5. Tax on loss on ordinary activities

	12 months ended 31 August 2014 £'000	18 months ended 31 August 2013 £'000
Loss on ordinary activities before taxation	(2,015)	(697)
Loss on ordinary activities multiplied by the small companies' rate of corporation tax in the UK of 20% (2011: 20%)	(403)	(139)
Effects of:		
Capital allowances lower than depreciation	4	14
Tax loss available for future offset	399	-
Group relief	-	125
Tax charge	-	-

6. Intangible fixed assets

	Goodwill £'000	Total £'000
Cost		
At 1 September 2013 and 31 August 2014	4,500	4,500
Amortisation		
At 1 September 2013	3,570	3,570
Charge for period	930	930
At 31 August 2014	4,500	4,500
Net Book Value at 31 August 2013	930	930
Net book value at 31 August 2014	-	-

Notes to the Financial Statements for the year ended August 2014

7. Tangible fixed assets

	Fixtures and fittings £'000	Computer software and equipment £'000	Total £'000
Cost			
At 1 September 2013	287	190	477
Additions	2	52	54
At 31 August 2014	289	242	531
Accumulated depreciation			
At 1 September 2013	19	146	165
Charge for period	66	31	97
At 31 August 2014	85	177	262
Net Book Value at 31 August 2013	268	44	312
Net book value at 31 August 2014	204	65	269

8. Investments

	Investment £'000
Cost:	
At 1 September 2013	304
Additions	18
Disposals	-
At 31 August 2014	322
Amounts written off	
At 1 September 2013	-
Disposals	-
At 31 August 2014	-
Carrying value	
at 31 August 2013	304
at 31 August 2014	322

Investments as at 31 August 2014 relate to a 33% investment in Totara Learning Solutions Limited. The investment is not treated as an associate despite a holding of more than 20% as City and Guilds Kineo does not exert significant influence over the operating and financial policies of the company.

The company has a wholly owned subsidiary, Kineo Group Inc., incorporated in the USA. The investment in this subsidiary was established at no cost to the company.

Notes to the Financial Statements for the year ended August 2014

9. Debtors: amounts falling due within one year

	31 August 2014 £'000	31 August 2013 £'000
Trade debtors	1,521	987
Amounts owed by subsidiary undertaking	206	455
Amounts owed by other group members	133	-
Corporation tax repayable	-	3
Other debtors	2	7
Amounts recoverable on contracts	457	273
Prepayments	31	23
	2,350	1,748

10. Creditors: amounts falling due within one year

	31 August 2014 £'000	31 August 2013 £'000
Client advance payments	461	184
Trade creditors	269	231
Amounts owed to parent entity	370	-
Amounts owed to former directors	857	500
Other creditors	229	175
Deferred income	1,511	888
Accruals	1,002	297
	4,699	2,275

11. Creditors: amounts falling due after more than one year

	31 August 2014 £'000	31 August 2013 £'000
Amounts owed to former directors	1,500	1,857

12. Deferred tax

	31 August 2014 £'000	31 August 2013 £'000
at 1 September 2013 and 31 August 2014	12	12

13. Called up share capital

	31 August 2014 £	31 August 2013 £
Fully paid		
10,400 ordinary share of £0.01 each (2013: 10,400 ordinary shares of £1 each)	104	104

Notes to the Financial Statements for the year ended August 2014

14. Reconciliation of movements in shareholders' deficit

	Share capital £'000	Share premium £'000	Profit and loss £'000	31 August 2014 Total £'000	31 August 2013 Total £'000
Bought forward	-	28	(405)	(377)	292
Loss for the period	-	-	(2,015)	(2,015)	(697)
Shares issued in the period	-	-	-	-	28
Carried forward	-	28	(2,420)	(2,392)	(377)

15. Ultimate parent undertaking

The Company's immediate and ultimate parent undertaking and controlling party is The City and Guilds of London Institute, an organisation formed under Royal Charter which is a charity registered in England and which operates worldwide. The principal address of The City and Guilds of London Institute is 1 Giltspur Street, London, EC1A 9DD. Group financial statements have been prepared as at 31 August 2014 and may be obtained from the Secretary at the above address.

16. Related party transactions

The Company is wholly owned by its parent undertaking. The Company has therefore elected to make use of the exemption provided in Financial Reporting Standard number 8 'Related Party Transactions' not to disclose related party transactions with other wholly owned members of the City & Guilds Group.

The company paid £190,000 (2013: £101,000) to, and received £78,000 (£2013: £59,000) from Totara Learning Solutions Limited for services provided. £18,000 was due to Totara Learning Solutions Limited (2013: £62,000 owed to Kineo Limited) at the year end.

There are no other related party transactions to disclose (2013: none).