

**MIDLAND GROUP TRAINING  
SERVICES LIMITED**

**REPORT AND FINANCIAL STATEMENTS**

**31 March 2019**

**Company No 984899  
Registered Charity No 528785**

**MIDLAND GROUP TRAINING SERVICES LIMITED**  
**TRUSTEES' REPORT**  
**31 March 2019**

## **OBJECTIVES AND ACTIVITIES**

### **MGTS an Educational Charity – Employer Led and Membership Based**

#### **Our Aim**

To be a national centre of excellence for education, training and development and assessment supporting both young people and adults in the development of engineering competences associated with engineering.

To achieve improved customer business performance by delivering cost effective employee technical and people development solutions to machinery reliant industries.

#### **Charity Aims**

- To support young people wishing to access the engineering industry
- To support adult employees and learners to develop themselves, engineering functions and systems to improve business performance
- To contribute to the development of specialist engineering competences within the National workforce to encourage economic development
- The main activities of the Charity have continued to be the provision of Apprenticeships, Training Needs Analysis and Administration, Training and Development courses and events

To achieve this, the Charity:

- Consults with members and employers to achieve a clear understanding of industry needs and provide effective solutions
- Consults with Government and Agencies to ensure that MGTS strategy supports industry related people development policies
- Consults with Local Enterprise Partnerships [LEPs], Local Authority and Schools to develop collaborative solutions to support young people's development, understanding and entry into industry

#### **Our Values**

1. MGTS aims to provide our customers with training and assessment activities that are relevant to the individual, their organisation and its industry sector.
2. We believe that training and assessment activity undertaken should be clear and concise in its design and delivery.
3. That the delivery of any training and assessment activities are undertaken in a way and at a time which fully meets and supports the requirements of our customers, whatever those requirements may be.
4. MGTS will endeavour to take the lead in a professional manner, applying wisdom and knowledge whilst being supporting and encouraging.

#### **Our Commitment**

MGTS commit to provide our customers with access to competent staff, learning opportunities, comprehensive equipment and technology and rapid response to meet their training and assessment requirements.

We will achieve this through the application in all instances of our core values by consistently maintaining a high level of knowledge and understanding of the markets and environments within which our customers operate.

**MIDLAND GROUP TRAINING SERVICES LIMITED**  
**TRUSTEES' REPORT**  
**31 March 2019**

**Public Benefit**

We have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing our aims and objectives and in planning our future activities. In particular the trustees consider how planned activities will contribute to the aims and objectives they have set.

**Our Strategic Objectives**

1. Annually increase the number of customers strategically investing in people development; achieving local, regional and national growth.
2. Develop and deliver products and services offering progression through education, training and development and assessment; unlocking potential and delivering improved customer business performance.
3. Continually improve quality of content, quality of delivery and quality of learning management.
4. Work in partnership with customers and stakeholders to provide solutions to their requirements and the greater community, locally, regionally and nationally.
5. Utilise the charity's resources responsibly in pursuit of the strategic objectives.

**CHALLENGES, ACHIEVEMENTS AND PERFORMANCE**

Government transition of policy from apprenticeship frameworks and the introduction of an employer levy have presented many challenges. On 1 May 2017 Government introduced an employer levy to fund apprenticeship training. This aligned with the conclusion of rolling Skills Funding Agency contracts replaced by specific contracts and authorisation to provide services to levy or non-levy employers. At the same time employer led apprenticeship standards were introduced based on significant changes in qualification structure and apprenticeship delivery models. The ambition focused on ensuring that apprenticeships are employer led at the same time as aligning apprenticeships with a proven higher education sector. This ambition was evidenced by the introduction of degree apprenticeships. In addition, funding models have changed removing the opportunity to front load income to cover first year off the job delivery cost moving to a four year apprenticeship period of equal payments.

The range of changes experienced by the Charity since 2017 has engaged significant levels of management effort and considered forward planning. As a consequence, the Charity embraced the change and made wholesale transition to the new standards and embarked upon the revision of the Charity business model. The ambition was set to make the transition securing all charitable assets, placing particular emphasis on securing cash reserves whilst working to increase the value by achieving a significant operating surplus.

In light of the circumstances, the Charity has secured a number of significant achievements. Continued diligence and effort on promotion and engagement of the new standards to employers ensured that the levels of apprentice starts remained high across all centres, with our operation at Reaseheath actually having a higher demand than capacity. The high level of starts performance was complemented by a significantly increased level of commercial course activity, and at the same time developing a growing network of relationship with a wider network of UK blue chip organisations.

Apprenticeship success rates are maintained at 10% above national averages resulting in achievement rates near to 90%. In addition Learner Survey feedback remains very strong with 88% rating MGTS as good or excellent.

**MIDLAND GROUP TRAINING SERVICES LIMITED**  
**TRUSTEES' REPORT**  
**31 March 2019**

The Charity has placed great importance in establishing the Redditch centre to support both local industry and the ambition of local people to achieve higher level apprenticeship qualifications. Recognising that the local population in the Redditch area has take home pay below the national average coupled with low levels of qualification attainment, the Charity's Redditch centre is an important part of the local economic and social plan supported by both Greater Birmingham and Solihull and Worcestershire LEAs. Building upon the success of the Redditch centre and the need to expand capacity beyond the existing Food and Drink Engineering Maintenance programme at Reaseheath College, the decision was taken to convert an unused part of the Redditch training centre into a Food and Drink Engineering Maintenance centre.

### **Financial review**

The introduction of the apprenticeship levy was a significant change to our income stream, meaning that work that was previously chargeable to employers commercially is now funded from the levy. This has resulted in a continuing shift of income from our Trading subsidiary to the Charitable Company. A further impact is on the timing of the funding flows. Income is now spread equally over the duration of learning, rather than aligned to the full time training in our centres in the first year. The largest effect of this was in the year ending 31 March 2018, but the effect will continue until the 2020-2021 financial year.

The financial year result was an unrestricted surplus of £12,980 (2018 £97,712 deficit). Movement in restricted reserves resulted in an overall reported loss for the financial year of £53,792 (2018 £203,451).

#### *Income*

Total unrestricted income of £4 million was generated in 2018-2019, an increase of 13% on last year.

#### *Expenditure*

Unrestricted expenditure in 2018-2019 amounted to £4 million, an increase of 10% on last year. £0.8 million of this is related to our commercial activities, and the remaining £3.2 million was spent supporting our charitable aims.

#### *Funds*

Total funds at 31 March 2019 were £5.65 million (2018 £5.7 million) of which all but £633,771 were unrestricted.

### **Principal Risks and Uncertainties**

The principal risks to the business are from modifications to the apprenticeship education and training sector made by Government. The change in apprenticeship structure and the introduction of an employer apprenticeship levy has both impacted upon current practice and long-term business planning. The levels of funding are currently under review, and this poses a further risk to our business.

MGTS were actively involved in supporting and shaping the new apprenticeship standards and have a comprehensive four year financial plan in place to manage the financial transition.

The NAO (National Audit Office) identify that there is a clear risk that the apprenticeship model is not financially stable due to a rise in the average cost of training, driven by the sharp rise in management apprenticeships with high prices. In contrast to this possible development there are an ever increasing number of employers who fail to use all of their allocated levy funding. WMCA (West Midlands Combined Authority) is already working on a scheme as a dynamic partnership linking levy paying employers who have significant underspend with WMCA employers who can use the levy transfer to fund apprenticeships.

**MIDLAND GROUP TRAINING SERVICES LIMITED**  
**TRUSTEES' REPORT**  
**31 March 2019**

**Policies**

a) Reserves

The trustees have forecast the level of free reserves (that is those funds not tied up in fixed assets, designated and restricted funds) required to sustain its operations in the event that some incoming generating activities are curtailed temporarily whilst the charitable activities are continued. The trustees consider that the most appropriate level of free reserves at 31 March 2019 would be 6 months of the Group's expenditure i.e. £2 million. The actual free reserves at 31 March 2019 were £2.9 million being £900k in excess of the target figure.

£750,000 of the free reserves has been designated for two building projects. The first which started in April 2019 is to convert an unused part of our Redditch training centre into a Food and Drink Engineering Maintenance centre. This will increase our student capacity, and consequently our revenue.

The second is a much needed modernisation of student welfare facilities at our Coventry centre. Whilst this will not have any direct impact on revenue, it will increase staff and student satisfaction with the learning environment.

b) Investments

Under the Memorandum and Articles of Association, the charity has the power to invest in any way the trustees wish. The trustees have determined that the Charity investments should be in the form of interest bearing cash deposits with major banks or financial institutions and investment property. Interest rates should be competitive and free of risk to the capital.

**STRUCTURE, GOVERNANCE AND MANAGEMENT**

The Charity is a company, limited by guarantee, and has no share capital. It was incorporated on 17 July 1970. Its governing document is its Memorandum and Articles of Association, which were updated on 6<sup>th</sup> March 2019. The liability of each member in the event of winding up is limited to £20.

Charity number	528785
Company number	984899
Principal Office	Gulson Road, Coventry, CV1 2JG

The principal objects of the charitable company are: "To advance the theoretical and practical education and training of persons engaged or intending to be engaged in engineering general industrial and commercial activities"

To allow the charitable company to trade in activities complementary to its objects a subsidiary company 'MGTS Business and Training Services Limited' was incorporated on 22 September 2000. The Charity owns the 1,000 issued shares of £1 each. Taxable profits arising from the subsidiary are Gift Aided to the Charity.

**MIDLAND GROUP TRAINING SERVICES LIMITED**  
**TRUSTEES' REPORT**  
**31 March 2019**

**Trustees/ Directors**

The Trustees are elected by the Members of the Company at the AGM and serve for two years before retiring. The Articles of the Company allow for 14 Trustees/Directors. The Trustees may co-opt to fill casual vacancies arising during the year.

The following were Trustees during the whole of the year under review:-

Mr D Butler	Mr P Hone	Mr A Watson
Mr A Churchill	Mr K Kane	Mr G Reynolds
Mr B D Hawkins	Mr G F Lawton	

The following resigned as Trustees during the year:-

D Butler	B Hawkins
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The following were appointed as Trustees during the year:-

Mr S Brown	Mrs T Reynolds	Mrs R Ritchie
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The Trustees of the Charity meet at least 4 times per year. They set budgets for the Charity and monitor its financial performance through detailed quarterly financial reports. Major decisions affecting the Charity's operations are taken by the Trustees.

The Chief Executive, David Bridgens is responsible for implementing the Trustees policies. He reports on a quarterly basis to the Trustees. Additional ad hoc Trustees meetings are called whenever it is felt necessary either by the Trustees or the Chief Executive.

**Trustee induction and training**

New trustees undergo a series of briefings to inform them on their legal obligations under charity and company law, the content of the Memorandum and Articles of Association, the committee and decision making processes, the business plan and recent financial performance of the charity. During the induction they meet key employees and other trustees. Trustees are encouraged to attend appropriate training events where these will facilitate the understanding of their role.

**Key Management Personnel**

The following were key management personnel during the whole of the year under review:-

Chief Executive Officer	David Bridgens
Operations Manager	Steve Palmer
Business Systems and Contracts Manager	Adrian Lawrence
Company Accountant	Ruth Smith

**Arrangements for setting pay and remuneration**

Trustees do not receive any form of remuneration and give their time freely.

The trustees review pay annually in October for all staff, including key personnel. Consideration is taken of the rate of inflation, and benchmark pay rates within the industry.

**MIDLAND GROUP TRAINING SERVICES LIMITED**  
**TRUSTEES' REPORT**  
**31 March 2019**

**Risk management**

We confirm that major risks have been reviewed and that systems and procedures have been established to manage those risks.

**Government and Agencies**

The Government set a target of 3 million new apprenticeships by 2020 in the 2015 Queen's Speech. However the most recent analysis by the Department for Education has suggested that at current rates of apprentice take up, the figure is more likely to be around the 2 million mark.

Government funding policy is changing to focus on larger employers paying for apprenticeships via the Employer Apprenticeship Levy. New employer led Apprenticeship standards have been developed, and the funding available for frameworks has been reduced. On 6 April 2017 the apprenticeship levy came into effect with all UK employers with a pay bill of over £3 million per year paying the levy. The levy is paid into an apprenticeship service account, and funds in this account have to be spent on apprenticeship training and assessment.

Employers who do not pay the levy will pay 5-10% of the cost of training and assessment with the government contributing the remaining amount.

**Small Companies Exemption**

This report is prepared in accordance with special provisions of part 15 of the Companies Act 2006 relating to small companies.

The trustees who are the charitable company's directors are pleased to present their report together with the financial statements of the charitable company for the year ending 31 March 2019.

**AUDITORS**

A resolution will be put to the forthcoming AGM to reappoint LDP Luckmans as Auditors for the year ending 31 March 2020.

**Statement as to disclosure of information to auditors**

The trustees who were in office on the date of approval of these financial statements have confirmed as far as they are aware, that there is no relevant audit information of which the auditors are unaware. The trustees have confirmed that they have taken all the steps that they ought to have taken as trustees in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

**MIDLAND GROUP TRAINING SERVICES LIMITED**  
**TRUSTEES' REPORT**  
**31 March 2019**

**PROFESSIONAL ADVISORS**

The Charity is provided with professional services on a commercial basis by:

LDP Luckmans Chartered Accountants	-	Audit
Lloyds TSB Plc	-	Banking
Band Hatton Button Solicitors	-	Legal
Loveitts Estate Agents	-	Property
Hettle Andrews & Associates Ltd	-	Insurance

On behalf of the Board



G Lawton  
Chairman

Gulson Road  
Coventry  
CV1 2JG  
25th Sept 2019



**MIDLAND GROUP TRAINING SERVICES LIMITED**  
**DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS**  
**31 March 2019**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice. Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period.

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

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business;
- d. observe the methods and principles in the Charity SORP

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

**MIDLAND GROUP TRAINING SERVICES LIMITED**  
**AUDITOR'S REPORT**

**Independent auditor's report to the members of Midland Group Training Services Limited**

**Opinion**

We have audited the financial statements of Midland Group Training Services Ltd (the 'charitable company') for the year ended 31 March 2019 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and 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 (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2019 and of its incoming resources and application of resources, including its income and expenditure, 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.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors responsibilities for the audit of the financial statements section of our report. We are independent of the charitable 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.

**Conclusions relating to going concern**

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

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

**Other information**

The trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our Report of the Independent Auditors thereon.

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

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

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

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

- the information given in the Report of the Trustees for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Trustees has been prepared in accordance with applicable legal requirements.

**MIDLAND GROUP TRAINING SERVICES LIMITED**  
**AUDITOR'S REPORT**  
Independent auditor's report to the members of Midland Group Training Services Limited

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

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Trustees.

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 trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to take advantage of the small companies exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Trustees.

**Responsibilities of trustees**

As explained more fully in the Statement of Trustees Responsibilities, the trustees (who are also the directors of the charitable company for the purposes of company law) 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 trustees 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 trustees are responsible for assessing the charitable 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 trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

**Our 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 a Report of the Independent Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

**Use of our report**

This report is made solely to the charitable 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 charitable company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Mark Spafford FCCA ACA (Senior Statutory Auditor)  
for and on behalf of Luckmans Duckett Parker Limited  
1110 Elliott Court  
Coventry Business Park  
Herald Avenue  
Coventry  
West Midlands  
CV5 6UB

Date: 2 Nov 2014

**MIDLAND GROUP TRAINING SERVICES LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES**  
for the year ended 31 March 2019

	Note	Unrestricted funds £	Restricted funds £	Total 2019 £	Total 2018 £
<b>Income:</b>					
<i>Income from donations and legacies:</i>	3	28,480	-	28,480	-
<i>Income from Charitable activities:</i>					
Subscriptions, training, projects, course fees and extra services	5	2,872,255	81,500	2,953,755	2,275,833
<i>Income from other trading activities:</i>					
Commercial trading operations	10	1,103,411	-	1,103,411	1,355,076
Investment income	4	8,951	-	8,951	3,764
<b>Total incoming resources</b>		<u>4,013,097</u>	<u>81,500</u>	<u>4,094,597</u>	<u>3,634,673</u>
<b>Expenditure:</b>					
<i>Costs of raising funds:</i>					
Investment management costs		-	-	-	-
Commercial trading operations	10	825,037	-	825,037	1,196,960
<i>Expenditure on charitable activities</i>	6	<u>3,175,080</u>	<u>148,272</u>	<u>3,323,352</u>	<u>2,641,164</u>
<b>Total expenditure</b>		<u>4,000,117</u>	<u>148,272</u>	<u>4,148,389</u>	<u>3,838,124</u>
<b>Net (loss)/income before other recognised gains</b>	7	12,980	(66,772)	(53,792)	(203,451)
<b>Other recognised gains</b>					
Loss on revaluation of investment assets		-	-	-	-
<b>Net movement in funds for the year</b>		<u>12,980</u>	<u>(66,772)</u>	<u>(53,792)</u>	<u>(203,451)</u>
Fund balance brought forward at 1 April 2018		5,071,279	633,771	5,705,050	5,705,050
<b>Fund balance carried forward at 31 March 2019</b>		<u>5,084,259</u>	<u>566,999</u>	<u>5,651,258</u>	<u>5,705,050</u>


The statement of financial activities includes all gains and losses recognised in the year and in the previous year.  
All the company's activities are classed as continuing.

**MIDLAND GROUP TRAINING SERVICES LIMITED**  
**BALANCE SHEETS**  
**at 31 March 2019**  
**Company No 984899**

		2019	Group	2018	Charity	2018
	Note	£		£	£	£
<b>Fixed assets</b>						
Tangible fixed assets	9	2,734,232		2,880,156	2,734,232	2,880,156
Investment in subsidiary undertaking	10	-		-	1,000	1,000
		<u>2,734,232</u>		<u>2,880,156</u>	<u>2,735,232</u>	<u>2,881,156</u>
<b>Current assets</b>						
Debtors	11	605,680		773,015	325,918	179,534
Short term deposits		3,428,899		3,029,326	3,428,899	3,029,326
Bank balance and cash		210,859		226,567	102,198	141,561
		<u>4,245,438</u>		<u>4,028,908</u>	<u>3,857,015</u>	<u>3,350,421</u>
<b>Creditors - amounts falling due within one year</b>	12	(1,328,412)		(1,204,014)	(1,215,788)	(681,243)
		<u>2,917,026</u>		<u>2,824,894</u>	<u>2,641,227</u>	<u>2,669,178</u>
<b>Net current assets</b>						
		<u>2,917,026</u>		<u>2,824,894</u>	<u>2,641,227</u>	<u>2,669,178</u>
<b>Net assets</b>		<u>5,651,258</u>		<u>5,705,050</u>	<u>5,376,459</u>	<u>5,550,334</u>
<b>Funds:</b>						
Restricted funds	13	566,999		633,771	566,999	633,771
Unrestricted funds	13	4,809,460		4,916,563	4,809,460	4,916,563
Non-charitable trading funds	13	274,799		154,716	-	-
		<u>5,651,258</u>		<u>5,705,050</u>	<u>5,376,459</u>	<u>5,550,334</u>
<b>Total funds</b>		<u>5,651,258</u>		<u>5,705,050</u>	<u>5,376,459</u>	<u>5,550,334</u>

The financial statements have been prepared in accordance with special provisions of part 15 of the Companies Act 2006 relating to small charitable companies.

The financial statements on pages 11 to 23 were approved by the Board of Directors and authorised for issue on 25th September 2019, and were signed on its behalf by:

  
G Lawton  
Chairman

**MIDLAND GROUP TRAINING SERVICES LIMITED**  
**CASH FLOW STATEMENT**  
for the year ended 31 March 2019

	Note	Group 2019 £	2018 £
<b>Cash flows from operating activities:</b>			
Cash generated from operations	1	590,901	83,057
<b>Net cash provided by (used in) operating activities</b>		590,901	83,057
<b>Cash flows from investing activities:</b>			
Purchase of tangible fixed assets		(249,277)	(217,134)
Sale of tangible fixed assets		33,290	32,755
Interest received		8,951	3,764
<b>Net cash provided by (used in) investing activities</b>		(207,036)	(180,615)
<b>Change in cash and cash equivalents in the reporting period</b>		383,865	(97,558)
<b>Cash and cash equivalents at the beginning of the reporting period</b>		3,255,893	3,353,450
<b>Cash and cash equivalents at the end of the reporting period</b>		3,639,758	3,255,893

**MIDLAND GROUP TRAINING SERVICES LIMITED**  
**NOTES TO THE CASH FLOW STATEMENT**  
for the year ended 31 March 2019

**1 Reconciliation of net income to net cash flow from operating activities**

	2019 £	2018 £
<b>Net income for the reporting period (as per the statement of financial activities)</b>	(53,792)	(203,451)
Adjustments for:		
Depreciation charges	353,419	378,290
Loss/ (profit) on disposal of fixed assets	8,492	(24,750)
Interest received	(8,951)	(3,764)
(Increase)/decrease in debtors	167,335	42,952
Increase/(decrease) in creditors	124,398	(106,220)
	<hr/>	<hr/>
Net cash provided by (used in) operating activities	590,901	83,057
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**MIDLAND GROUP TRAINING SERVICES LIMITED**  
**ACCOUNTING POLICIES**  
**31 March 2019**

## **1 Accounting Policies**

### **Basis of preparation**

The financial statements of the charitable company, which is a public benefit entity under FRS102, have been prepared in accordance with the Charities SORP (FRS102) 'Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard in the UK and Republic of Ireland (FRS102)(effective 1 January 2015)', Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006. The financial statements have been prepared under the historical cost convention with the exception of investments which are included at market value.

### **Accounting changes**

The significant accounting policies adopted are described below and are consistent with previous years, except that there has been a change in accounting for gift aid income, as explained in Note 12. As per the amendments issued to FRS2 by the Financial Reporting Council, gift aid payments should be treated as distributions, and therefore accounted for when they are paid. This change in policy has been adopted earlier than is mandatory, and been accounted for as a prior year adjustment and comparative amounts in respect of the year ended 31 March 2017 have been restated where relevant. The change in accounting policy had no impact on earnings for the period.

### **Significant judgements and estimates**

No key judgements were made in applying the charitable company's accounting policies. There are no key assumptions concerning the future, or other key sources of estimation uncertainty at the end of the accounting period that would have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial period.

### **Group financial statements**

The statement of financial activities (SOFA) and group balance sheet consolidate the financial statements of the charity and its subsidiary undertaking. The results of the subsidiary are consolidated on a line by line basis.

A separate SOFA and income and expenditure account are not presented for the charity itself following the exemptions afforded by Section 408 of the Companies Act 2006.

### **Income recognition policy**

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the item(s) of income have been met, it is probable that the income will be received and the amount can be measured reliably.

Income from government and other grants, whether 'capital' grants or 'revenue' grants, is recognised when the charity has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably and is not deferred.

Investment income is recognised on a receivable basis.

### **Resources expended and Irrecoverable VAT**

Expenditure is recognised when a liability is incurred. Contractual arrangements and performance related grants are recognised as goods and services are supplied.

Charitable activities include expenditure associated in the provision of training services and include both the direct costs and support costs relating to these activities.



**MIDLAND GROUP TRAINING SERVICES LIMITED**  
**ACCOUNTING POLICIES (continued)**  
**31 March 2019**

Governance costs include those incurred in the governance of the charity and its assets and are primarily associated with constitutional and statutory requirements.

Support costs include the central functions and have been allocated to activity cost categories on a basis consistent with the use of resources, e.g. staff costs by the estimated time spent and other costs by their estimated usage.

Irrecoverable VAT is charged against the category of resources expended for which it was incurred.

**Taxation**

The company is a registered charity and is exempt from taxation on its charitable activities. The subsidiary company has no tax liability as it donates its taxable profits to the charity under gift aid.

**Goodwill**

Purchased goodwill is capitalised and depreciated on a straight line basis over its useful economic life (not exceeding 20 years).

**Tangible fixed assets**

Fixed assets costing £3,000 or more are capitalised at cost.

Depreciation is charged by instalments at rates estimated to write off the cost of the asset less any residual value over the expected useful lives at the following rates:-

2½% per annum on freehold buildings
4% per annum on freehold building improvements
10% per annum on leasehold building improvements
10% to 25% per annum on equipment and vehicles
33⅓% per annum on computer equipment

On disposal of assets in the ordinary course of business adjustments are made to the depreciation charge to reflect differences between the actual and estimated aggregate depreciation.

**Pensions – Defined Benefit Scheme**

The defined benefit scheme was closed to new contributions on 31st August 2010. In accordance with paragraph 9(b) of FRS17 the amount charged to the Statement of Financial Activities is the pension cost actually payable to the scheme in the year. These costs comprise of administration expenses and deficit contributions.

**Pension costs - Defined Contribution Scheme**

The amount charged to the Statement of Financial Activities in respect of pension costs is the contribution payable in the year. Any differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

**Funds structure**

The charity has a number of restricted income funds to account for situations where a donor requires that a donation must be spent on a particular purpose or where funds have been raised for a specific purpose.

All other funds are unrestricted income funds.

**MIDLAND GROUP TRAINING SERVICES LIMITED**  
**NOTES ON FINANCIAL STATEMENTS**  
**31 March 2019**

**2 Legal status of the Charity**

The Charity is a company, limited by guarantee, and has no share capital. It was incorporated on 17 July 1970. Its governing document is its Memorandum and Articles of Association. The liability of each member in the event of winding up is limited to £20.

**3 Donations and Legacies**

	2019 £	2018 £
Donation	28,480	-

**4 Investment income**

Short term deposit interest receivable	8,951	3,764
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**5 Income from Charitable Activities**

Training services provided	2,936,729	2,275,833
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**6 Charitable Activities Costs**

The charity undertakes direct charitable activities and does not make grant payments

Provision of training services and projects	3,252,805	2,586,879
Support costs – salaries and office costs	39,339	40,104
	3,292,144	2,626,983

**Governance costs**

Salaries and office costs	5,907	5,481
Auditors' remuneration		
- Audit	7,575	7,500
- Other services	700	1,200
	14,182	14,181

**7 Net incoming resources**

Net incoming resources are stated after charging/ (crediting):

Directors' and officers' indemnity insurance	-	2,585
Depreciation of tangible fixed assets:		
- owned assets	353,419	378,290
Loss/(profit) on disposal of tangible fixed assets	8,492	(24,750)

**MIDLAND GROUP TRAINING SERVICES LIMITED**  
**NOTES ON FINANCIAL STATEMENTS**  
**31 March 2019**

<b>8 Staff costs</b>	<b>2019</b> <b>£</b>	<b>2018</b> <b>£</b>
Wages and salaries	1,622,535	1,438,518
Social security costs	192,915	165,355
Pension costs	241,938	213,344
	<u>2,057,388</u>	<u>1,817,217</u>
 Average number of persons employed by the company	 <u>46</u>	 <u>44</u>
 <b>Key management personnel</b>		
Emoluments	402,746	290,341
Pension contributions to defined contribution scheme	23,928	18,493
	<u>426,674</u>	<u>308,834</u>
 The number of employees who received emoluments of more than £60,000 in the year was as follows:		
£60,001 - £70,000	-	1
£70,001 - £80,000	2	-
£80,001 - £90,000	1	-
£110,000 - £120,000	-	1

Midland Group Training Services paid £13,310 (2018: £11,484) into a defined contribution pension scheme for 3 (2018: 2) higher-paid employees.

The directors do not receive emoluments or expenses.

**Pension costs - Defined Benefit Scheme**

The company provides pensions for its employees through participation in the Engineering Employers' Federation Staff Pension Fund (the Fund), which is administered by Trustees and maintained independently of the company's finances. The fund was a defined benefit scheme that was established to enable a number of autonomous but related employers to operate a pension scheme through the sharing of risk within a wider membership base. As such it is not possible for individual employers to identify their share of the underlying assets and liabilities. In such cases, paragraph 9(b) of FRS17 requires the Company to account for pension costs on the basis of contributions actually payable to the Fund in the year. The defined benefit scheme was closed to new entrants on 1 January 2006, and closed to new contributions on 31<sup>st</sup> August 2010.

Midland Group Training Services Limited have agreed to contribute £107,750 per annum plus RPI over the next 2 years, rising to £175,417 per annum in years 4 to 6. This is 4.31% of the total contributions being made by scheme members towards the overall scheme deficit. Due to the nature of the scheme, Midland Group Training Services Limited is unable to determine its share of the scheme assets and liabilities and as such recognises contributions made to the scheme as defined contribution scheme payments. Therefore the company does not recognise a liability in its financial statements as a result of the contributions being made towards the overall scheme deficit.

**Pension costs - Defined Contribution Scheme**

The company provides pensions for current employees, through a defined contribution scheme. The employer contributions for the period were £97,972 (2018 £83,632). The running costs of the scheme are amalgamated with the Defined Benefit scheme and cannot be separately identified. There were no outstanding or prepaid contributions at the balance sheet date.

**MIDLAND GROUP TRAINING SERVICES LIMITED**  
**NOTES ON FINANCIAL STATEMENTS**  
**31 March 2019**

**9 Tangible fixed assets – group and charity**

	<b>Freehold Property £</b>	<b>Leasehold Improvements £</b>	<b>Equipment &amp; vehicles £</b>	<b>Total £</b>
<b>Cost</b>				
1 April 2018	1,792,805	926,944	2,656,658	5,376,407
Additions	-	13,850	235,427	249,277
Disposals	-	-	(165,717)	(165,717)
	<hr/>	<hr/>	<hr/>	<hr/>
31 March 2019	1,792,805	940,794	2,726,368	5,459,967
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
1 April 2018	872,612	106,207	1,517,432	2,496,251
Charge for year	34,544	93,034	225,841	353,419
Disposals	-	-	(123,935)	(123,935)
	<hr/>	<hr/>	<hr/>	<hr/>
31 March 2019	907,156	199,241	1,619,338	2,725,735
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
31 March 2019	885,649	741,553	1,107,030	2,734,232
	<hr/>	<hr/>	<hr/>	<hr/>
31 March 2018	920,193	820,737	1,139,226	2,880,156
	<hr/>	<hr/>	<hr/>	<hr/>

**MIDLAND GROUP TRAINING SERVICES LIMITED**  
**NOTES ON FINANCIAL STATEMENTS**  
**31 March 2019**

	<b>Group</b>		<b>Charity</b>	
<b>10 Fixed asset investment</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Shares in subsidiary undertaking	-	-	1,000	1,000

**Subsidiary undertaking**

MGTS Business and Training Services Limited which was incorporated in England on 22 September 2000 pays all its taxable profits to the charity by Gift Aid. MGTS Business and Training Services Limited operates as an executive arm of the charity. The charity owns the entire issued share capital of 1,000 ordinary shares of £1 each. A summary of the trading results is shown below.

**Summary of profit and loss account**

	<b>2018</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Turnover	1,103,411	1,355,076
Cost of sales and administrative expenses	(825,037)	(1,196,960)
Governance costs	(3,575)	(3,400)
Net profit	274,799	154,716
Retained profit brought forward	154,716	116,870
Amount gifted to the charity	(154,716)	(116,870)
Retained in the subsidiary	274,799	154,716

**The assets and liabilities of the subsidiary were:**

Fixed assets	-	-
Current assets	869,468	783,915
Creditors: amounts falling due within one year	(593,669)	(628,199)
Net assets	275,799	155,716
Aggregate share capital and reserves	275,799	155,716

**MIDLAND GROUP TRAINING SERVICES LIMITED**  
**NOTES ON FINANCIAL STATEMENTS**  
**31 March 2019**

	<b>Group</b>		<b>Charity</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>11 Debtors</b>				
Amounts falling due within one year				
Trade debtors	488,492	661,902	220,245	80,964
Prepayments	117,174	110,478	105,661	97,935
Accrued income	12	635	12	635
Amount due from subsidiary undertaking	-	-	-	-
	<u>605,678</u>	<u>773,015</u>	<u>325,918</u>	<u>179,534</u>
<b>12 Creditors</b>				
Amounts falling due within one year				
Trade creditors	957,093	931,394	437,590	425,680
Taxation and social security payable	153,439	182,838	87,368	74,302
Accruals	217,880	89,782	209,785	75,833
Amount due to subsidiary undertaking	-	-	481,045	105,428
	<u>1,328,412</u>	<u>1,204,014</u>	<u>1,215,788</u>	<u>681,243</u>

Included within trade creditors is deferred income of £284,386 (2018 £120,391). These amounts are deferred because the income relates to future periods.

Deferred income at 1 April 18	120,391
Used in year	(120,391)
Deferred in year	<u>284,386</u>
Deferred income at 31 March 19	<u>284,386</u>

**MIDLAND GROUP TRAINING SERVICES LIMITED**  
**NOTES ON FINANCIAL STATEMENTS**  
**31 March 2019**

**13 Movement in funds**

	<b>1 April 2018</b>	<b>Incoming resources</b>	<b>Resources expended and losses</b>	<b>31 March 2019</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Restricted funds				
- 24+ Loan Fund	2,000	-	-	2,000
- Employer Incentives	25,100	81,500	(71,400)	35,200
- LEP Funding	606,671	-	(76,872)	529,799
Unrestricted funds	4,916,563	2,892,660	(3,749,763)	4,059,460
Non-charitable trading funds	154,716	1,103,411	(983,328)	274,799
Designated funds	-	750,000	-	750,000
	<hr/>	<hr/>	<hr/>	<hr/>
	5,705,050	4,827,571	(4,881,363)	5,651,258
	<hr/>	<hr/>	<hr/>	<hr/>

**24+ Advanced Learning Loan Fund**

These are funds made available to be loaned to eligible learners. These loans will help learners aged 24 or above pay the fees charged by colleges and training providers for courses at Level 3 and Level 4, or Advanced and Higher Apprenticeships.

**Employer Incentives**

The Skills Funding Agency has made a number of incentive payments available to employers taking on an apprentice aged 16-18. These incentives payments are paid to the training provider at set points during the training and must be paid out to the employer.

**LEP Funding**

MGTS has invested in a new Advanced Engineering and Manufacturing Centre in Redditch, Worcestershire. Our £875,000 investment was matched by funding of £700,000 from the Worcestershire and Birmingham Local Enterprise Partnerships. The funding will be released over the life of the assets.

**Designated Reserve**

The Board of Trustees have designated £750,000 of the free reserve to two capital projects. The first is to utilise some excess space at our Redditch Centre to build a Centre to deliver the Food and Drink Engineering Maintenance apprenticeship programme. This commenced in April 2019 and is expected to cost £400K. The second project is to upgrade the welfare facilities at our Coventry Centre. This is expected to be completed over the summer of 2019.

**MIDLAND GROUP TRAINING SERVICES LIMITED**  
**NOTES ON FINANCIAL STATEMENTS**  
**31 March 2019**

**14 Analysis of net assets between funds**

	Unrestricted £	Non-charitable trading funds £	Restricted £	Total £
Intangible fixed assets	-	-	-	-
Tangible fixed assets	2,204,433	-	529,799	2,734,232
Current assets	3,338,770	869,468	37,200	4,245,438
Current liabilities	(734,743)	(593,669)	-	(1,328,412)
	<u>4,808,460</u>	<u>275,799</u>	<u>566,999</u>	<u>5,651,258</u>

**15 Operating lease commitments**

The following operating lease payments are committed to be paid :

	2019 £	2018 £
Within one year	101,278	94,163
Between two and five years	329,588	320,215
In more than five years	151,667	221,667
	<u>582,533</u>	<u>730,208</u>

**16 Capital Commitments**

The charitable company had capital commitments of £438,935 at the year-end (2018 £60,772).