

**Registered number: 02194413**

**LINE COMMUNICATIONS GROUP LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

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**LINE COMMUNICATIONS GROUP LIMITED**

**COMPANY INFORMATION**

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**Directors**

P Lea  
J D Satchell

**Registered number**

02194413

**Registered office**

52 Old Steine  
Brighton  
East Sussex  
BN1 1NH

**Independent auditors**

Sopher + Co LLP  
Chartered Accountants & Statutory Auditors  
5 Elstree Gate  
Elstree Way  
Borehamwood  
Hertfordshire  
WD6 1JD

**Bankers**

National Westminster Bank Plc  
P O Box 2153  
1-4 Berkeley Square House  
Berkeley Square  
London  
W1J 6BR

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**LINE COMMUNICATIONS GROUP LIMITED**

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## LINE COMMUNICATIONS GROUP LIMITED

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

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The directors present their report and the financial statements for the year ended 31 December 2013.

#### Principal activities

The principal activity of the company during the period was the delivery of technology enabled e-learning solutions.

#### Results and dividends

The profit for the year, after taxation, amounted to £577,692 (2012: loss £469,223).

During the year an interim dividend of £90,000 (2012: £75,000) was paid. The directors do not recommend a final dividend.

#### Directors

The directors who served during the year were:

P Lea  
D K Downes (resigned 11 April 2014)  
B Woods (resigned 11 February 2013)  
A Joly (resigned 11 April 2014)  
S G Ash (resigned 11 April 2014)

J D Satchell was appointed as a director on 11 April 2014.

#### Future developments

On 11 April 2014 the entire share capital of the company's parent, Line Communications Holdings Limited, was acquired by Learning Technologies Group Plc ("LTG"). LINE will join Epic, LTG's principal operating company, to form the UK market leader in the e-learning custom content market, and together will have the requisite size, scope and reach to deliver complex, global learning solutions. The senior management team will remain with the business which will have UK offices in London, Brighton and Sheffield; international offices in New York and Rio de Janeiro and an overseas presence in Zurich. The expanded business provides an attractive platform for growth through international expansion and acquisition.

#### Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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**LINE COMMUNICATIONS GROUP LIMITED**

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2013**

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**Directors' responsibilities statement**

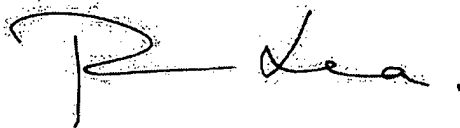
The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the 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 judgments 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.

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



**P Lea**  
Director

Date: 24 September 2014

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## LINE COMMUNICATIONS GROUP LIMITED

### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

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#### Business review

LINE Communications remains one of Europe's leading learning and communications providers, specialising in the use of technology in learning. With offices in London, Sheffield and Zurich, LINE has a prestigious client base which spans both the Corporate and Public sectors, with particular strengths in the Defence, Professional Services and the Automotive markets. LINE's focus on the attainment of tangible business results for its clients is cited as one of the key reasons why new clients have chosen to work with LINE. The company continues to focus its efforts on large-scale blue-chip organisations and LINE has the largest base of repeat clients in its history.

As a medium-sized business LINE publishes consolidated accounts which comprise LINE Communications Group Ltd and LINE Communications AG. 2013 marks the twenty-fourth year in business for LINE. Top-line revenues were £8,527,603 in 2013 (2012: £7,080,311). The consolidated results show a pre-tax profit of £550,411 (2012: Loss £705,274). The EBITDA was £658,145 (2012: Loss £598,312). The group's net assets amounted to £1,612,436 at 31 December 2013 (2012: £1,082,057).

Strong performance in both the corporate and public sectors have resulted in the company exceeding its 2013 revenue targets. This strong sales performance has made a healthy contribution to the 2014 order book with more than £3m confirmed by the year end. LINE has also secured a number of key new clients in its range of core vertical markets which include Pharmaceuticals, Energy, Professional Services, Manufacturing and Healthcare. A strategically important large new assignment was won in partnership with KPMG at the NHS whilst a significant proportion of new clients came through LINE Communications AG, based in Zurich.

LINE continued its major investment programme in developing learning and communications materials and technology for mobile devices, developing new capabilities and important new external partnerships, which have resulted in an offering of a more consultancy-based way of working and the ability to take on more strategic projects. This initiative has been supported by, the unique LINEstream® mobile enterprise platform and creation of HTML5-based responsive design frameworks as a basis for agile content delivery. This continuing investment programme is being well received in the marketplace and LINE is well positioned to enhance its leading market position during 2014.

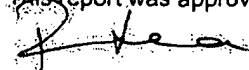
#### Principal risks and uncertainties

Having continued to invest in 2013, LINE's efforts in 2014 will be focused on exploiting the investments that it has made over the last few years. The most significant risk is that competitors respond aggressively and/or the exciting new products/services do not catch-on in the market. However, indications from the marketplace are very positive. A market leading multinational client is already rolling-out LINEstream® globally and the NHS is using both the HTML5 frameworks and LINEstream®.

Another risk lies in the state of the Eurozone economy and its continuing risk to business confidence. This lack of business confidence, which was very much apparent in the first six months of 2013, resulted in the deferral of a number of important client projects and related decisions particularly in the Defence sector. However the signs are that with growing confidence in the Eurozone our Continental European clients will go ahead with their planned projects for which we believe we are well positioned.

In 2013 LINE continued its graduate intake and internship programme, which will benefit the company in 2014. However there is a risk to LINE's profitable growth and the recruitment and retention of key staff. To mitigate this risk staffing levels are constantly monitored to respond to the current level and type of business.

This report was approved by the board on 24 September 2014 and signed on its behalf:



**P Lea**  
Director

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## **LINE COMMUNICATIONS GROUP LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF LINE COMMUNICATIONS GROUP LIMITED**

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We have audited the financial statements of LINE Communications Group Limited for the year ended 31 December 2013, set out on pages 6 to 20. 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 Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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.

#### **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 Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

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**LINE COMMUNICATIONS GROUP LIMITED**

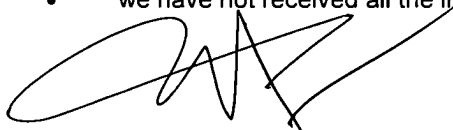
**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF LINE COMMUNICATIONS GROUP LIMITED**

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**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.



Stephen Iseman FCA (Senior Statutory Auditor)

for and on behalf of  
**Sopher + Co LLP**

Chartered Accountants  
Statutory Auditors

5 Elstree Gate  
Elstree Way  
Borehamwood  
Hertfordshire  
WD6 1JD

24 September 2014



**LINE COMMUNICATIONS GROUP LIMITED**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2013**

|   | Note | 2013<br>£             | 2012<br>£               |
|---|------|-----------------------|-------------------------|
| <b>TURNOVER</b>   | 1,2  | <b>8,336,753</b>      | 6,896,724               |
| Cost of sales   |      | <u>(4,827,647)</u>    | <u>(4,660,433)</u>      |
| <b>GROSS PROFIT</b>   |      | <b>3,509,106</b>      | 2,236,291               |
| Selling and distribution costs                              |      | <u>(376,449)</u>      | <u>(318,109)</u>        |
| Administrative expenses                                     |      | <u>(2,642,911)</u>    | <u>(2,506,074)</u>      |
| Other operating income                                      | 3    | <u>56,227</u>         | <u>-</u>                |
| <b>OPERATING PROFIT/(LOSS)</b>                              | 4    | <b>545,973</b>        | (587,892)               |
| Interest receivable and similar income                      | 8    | 9,217                 | 11,983                  |
| Interest payable and similar charges                        | 9    | <u>(39,769)</u>       | <u>(45,646)</u>         |
| <b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b> |      | <b>515,421</b>        | (621,555)               |
| Tax on profit/(loss) on ordinary activities                 | 10   | <u>62,271</u>         | <u>152,332</u>          |
| <b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>                 | 18   | <u><b>577,692</b></u> | <u><b>(469,223)</b></u> |

All amounts relate to continuing operations.

There were no recognised gains and losses for 2013 or 2012 other than those included in the Profit and Loss Account.

The notes on pages 8 to 20 form part of these financial statements.

**LINE COMMUNICATIONS GROUP LIMITED**  
**REGISTERED NUMBER: 02194413**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2013**

|  | Note | £                | 2013<br>£        | £                | 2012<br>£        |
|--|------|------------------|------------------|------------------|------------------|
| <b>FIXED ASSETS</b>  |      |                  |                  |                  |                  |
| Tangible assets  | 11   |                  | 112,212          |                  | 128,998          |
| Investments  | 12   |                  | 21,853           |                  | 21,853           |
|  |      |                  | <u>134,065</u>   |                  | <u>150,851</u>   |
| <b>CURRENT ASSETS</b>  |      |                  |                  |                  |                  |
| Debtors  | 13   | 2,198,561        |                  | 1,795,759        |                  |
| Cash at bank and in hand                                       |      | 1,642,488        |                  | 903,582          |                  |
|  |      | <u>3,841,049</u> |                  | <u>2,699,341</u> |                  |
| <b>CREDITORS: amounts falling due within one year</b>          | 14   | (1,917,686)      |                  | (1,206,491)      |                  |
| <b>NET CURRENT ASSETS</b>                                      |      |                  | <u>1,923,363</u> |                  | <u>1,492,850</u> |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                   |      |                  | <u>2,057,428</u> |                  | <u>1,643,701</u> |
| <b>CREDITORS: amounts falling due after more than one year</b> | 15   |                  | (422,276)        |                  | (505,576)        |
| <b>NET ASSETS</b>  |      |                  | <u>1,635,152</u> |                  | <u>1,138,125</u> |
| <b>CAPITAL AND RESERVES</b>                                    |      |                  |                  |                  |                  |
| Called up share capital  | 17   |                  | 10,000           |                  | 10,000           |
| Capital redemption reserve                                     | 18   |                  | 33               |                  | 33               |
| Share option reserve   | 18   |                  | 42,348           |                  | 33,013           |
| Profit and loss account  | 18   |                  | 1,582,771        |                  | 1,095,079        |
| <b>SHAREHOLDERS' FUNDS</b>                                     | 19   |                  | <u>1,635,152</u> |                  | <u>1,138,125</u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



**P Lea**  
Director

Date: 24 September 2014

The notes on pages 8 to 20 form part of these financial statements.

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## LINE COMMUNICATIONS GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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#### 1. ACCOUNTING POLICIES

##### 1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

##### 1.2 Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

##### 1.3 Turnover

Turnover comprises revenue recognised by the company in respect of services supplied, exclusive of Value Added Tax.

Revenue is recognised as contract activity progresses to reflect the value of work carried out during the year. Amounts received in advance are carried forward until recognised as turnover.

##### 1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

|                                  |     |                              |
|----------------------------------|-----|------------------------------|
| S/Term Leasehold Property        | -:- | over the period of the lease |
| Fixtures, fittings and equipment | -:- | 20 - 50% straight line       |

##### 1.5 Investments

Investments held as fixed assets are shown at cost less provision for impairment.

##### 1.6 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Profit and Loss Account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

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**LINE COMMUNICATIONS GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

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**1. ACCOUNTING POLICIES (continued)**

**1.7 Operating leases**

Rentals under operating leases are charged to the Profit and Loss Account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period to the date at which a break clause can be exercised.

**1.8 Deferred taxation**

Full provision is made for deferred tax assets and liabilities 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 tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

**1.9 Foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and Loss Account.

**1.10 Research and development**

Research and development expenditure is written off in the year in which it is incurred.

**1.11 Long-term contracts**

Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen.

**1.12 Pensions**

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

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**LINE COMMUNICATIONS GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

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**1. ACCOUNTING POLICIES (continued)**

**1.13 Share-based employee remuneration**

The company has applied the requirements of FRS 20 Share-based Payments. The company issues equity-settled share-based payments to certain employees. These share options are measured at fair value at the date of grant. The fair value of the share options granted is expensed to the profit and loss account on a straight line basis over the period to when they expire and a reserve is created in capital and reserves.

Fair value is measured using the Price Earning basis applied to weighted average profits.

**2. TURNOVER**

A geographical analysis of turnover is as follows:

|                        | 2013<br>£        | 2012<br>£        |
|------------------------|------------------|------------------|
| United Kingdom         | 7,365,685        | 5,149,932        |
| Rest of European Union | 545,741          | 1,061,432        |
| Rest of world          | 425,327          | 685,360          |
|                        | <u>8,336,753</u> | <u>6,896,724</u> |

**3. OTHER OPERATING INCOME**

|                      | 2013<br>£     | 2012<br>£ |
|----------------------|---------------|-----------|
| Net rents receivable | <u>56,227</u> | <u>-</u>  |

**4. OPERATING PROFIT/(LOSS)**

The operating profit/(loss) is stated after charging/(crediting):

|  | 2013<br>£      | 2012<br>£      |
|--|----------------|----------------|
| Depreciation of tangible fixed assets:           |                |                |
| - owned by the company                           | 48,651         | 44,706         |
| - held under finance leases                      | 28,036         | 28,071         |
| Auditors' remuneration                           | 15,384         | 13,586         |
| Operating lease rentals:                         |                |                |
| - other operating leases                         | 190,458        | 191,857        |
| Difference on foreign exchange                   | 4,222          | 21,378         |
| Research and development expenditure written off | <u>261,558</u> | <u>357,139</u> |

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**LINE COMMUNICATIONS GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

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**5. STAFF COSTS**

Staff costs, including directors' remuneration, were as follows:

|                       | 2013<br>£        | 2012<br>£        |
|-----------------------|------------------|------------------|
| Wages and salaries    | 3,351,047        | 3,344,721        |
| Social security costs | 365,022          | 404,234          |
| Other pension costs   | 23,732           | 22,816           |
|                       | <u>3,739,801</u> | <u>3,771,771</u> |

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

|                | 2013<br>No. | 2012<br>No. |
|----------------|-------------|-------------|
| Production     | 61          | 64          |
| Administration | 18          | 18          |
|                | <u>79</u>   | <u>82</u>   |

**6. DIRECTORS' REMUNERATION**

|   | 2013<br>£      | 2012<br>£      |
|---|----------------|----------------|
| Remuneration  | <u>299,290</u> | <u>376,115</u> |
| Company pension contributions to defined contribution pension schemes | <u>16,961</u>  | <u>18,801</u>  |

During the year retirement benefits were accruing to 4 directors (2012:5) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £88,170 (2012: £83,284).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £2,254 (2012: £2,249).

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## LINE COMMUNICATIONS GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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#### 7. SHARE BASED PAYMENTS

##### Equity-settled share option scheme

The group implemented an Enterprise Management Incentive share option scheme, in respect of the company's employees, on 27th November 2007.

Share options granted under the scheme are only exercisable upon completion of an exit event before the option expiry date, as specified in the option agreement. Under the scheme rules, an exit event is defined as the earlier of a share sale, an IPO or a trade sale.

At 31 December 2013, 960 (2012: 960) Ordinary 'A' share options and 4,708 (2012: 4,943) Ordinary 'B' share options were outstanding. If the options remain unexercised after a period of 10 years they expire. Options are forfeited if the employee leaves the group before they have been exercised.

The remaining average contractual life of the share options outstanding at the end of the period was 5 years.

The annual charge recognised in the year due to granting of the share options was £9,335 (2012: £9,986).

|   |          |
|---|----------|
| Weighted average of share price at grant of Ordinary 'A' shares | £62.86   |
| Weighted average of share price at grant of Ordinary 'B' shares | £4.40    |
| Exercise price for Ordinary 'A' shares and Ordinary 'B' shares  | £0.01    |
| Expected Life of option   | 10 Years |

The company also operates an unapproved share option scheme but in the opinion of the directors the amounts involved were not material at the balance sheet date.

#### 8. INTEREST RECEIVABLE

|                           | 2013  | 2012   |
|---------------------------|-------|--------|
|                           | £     | £      |
| Other interest receivable | 9,217 | 11,983 |

#### 9. INTEREST PAYABLE

|   | 2013   | 2012   |
|---|--------|--------|
|   | £      | £      |
| On bank loans and overdrafts                  | 36,454 | 42,896 |
| On finance leases and hire purchase contracts | 3,315  | 2,750  |
|   | 39,769 | 45,646 |

**LINE COMMUNICATIONS GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**10. TAXATION**

|  | 2013<br>£       | 2012<br>£        |
|--|-----------------|------------------|
| <b>Analysis of tax credit in the year</b>                      |                 |                  |
| <b>Current tax</b> (see note below)                            |                 |                  |
| UK corporation tax charge/(credit) on profit/loss for the year | 1,820           | (96,173)         |
| Adjustments in respect of prior periods                        | (16,177)        | (16,340)         |
| <b>Total current tax</b>                                       | <u>(14,357)</u> | <u>(112,513)</u> |
| <b>Deferred tax</b> (see note 16)                              |                 |                  |
| Origination and reversal of timing differences                 | (47,914)        | (39,819)         |
| <b>Tax on profit/loss on ordinary activities</b>               | <u>(62,271)</u> | <u>(152,332)</u> |

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2012: higher than) the standard rate of corporation tax in the UK of 23.25% (2012: 24.49%). The differences are explained below:

|  | 2013<br>£       | 2012<br>£        |
|--|-----------------|------------------|
| Profit/loss on ordinary activities before tax  | 515,421         | (621,555)        |
| Profit/loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012: 24.49%) | 119,835         | (152,219)        |
| <b>Effects of:</b>   |                 |                  |
| Expenses not deductible for tax purposes   | 5,637           | 5,256            |
| Depreciation for the year in excess of capital allowances  | 2,217           | 8,564            |
| Adjustments to tax charge in respect of prior periods  | (16,177)        | (16,340)         |
| Other timing differences leading to a decrease in taxation   | (296)           | (45)             |
| Research and development tax credit  | (72,317)        | -                |
| Grant of share options not deductible for tax purposes   | 2,170           | 2,447            |
| Unrelieved tax losses (brought forward) / carried forward  | (55,426)        | 39,824           |
| <b>Current tax credit for the year</b> (see note above)  | <u>(14,357)</u> | <u>(112,513)</u> |

The company has losses of £371,035 (2012: £139,951) available for carry forward against future profits.



LINE COMMUNICATIONS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013

11. TANGIBLE FIXED ASSETS

|                       | S/Term<br>Leasehold<br>Property<br>£ | Fixtures,<br>fittings and<br>equipment<br>£ | Total<br>£ |
|-----------------------|--------------------------------------|---|------------|
| <b>Cost</b>           |                                      |   |            |
| At 1 January 2013     | 17,943                               | 385,778                                     | 403,721    |
| Additions             | 4,634                                | 58,611                                      | 63,245     |
| Disposals             | -                                    | (35,228)                                    | (35,228)   |
| At 31 December 2013   | 22,577                               | 409,161                                     | 431,738    |
| <b>Depreciation</b>   |                                      |   |            |
| At 1 January 2013     | 7,791                                | 266,932                                     | 274,723    |
| Charge for the year   | 7,692                                | 68,995                                      | 76,687     |
| On disposals          | -                                    | (31,884)                                    | (31,884)   |
| At 31 December 2013   | 15,483                               | 304,043                                     | 319,526    |
| <b>Net book value</b> |                                      |   |            |
| At 31 December 2013   | 7,094                                | 105,118                                     | 112,212    |
| At 31 December 2012   | 10,152                               | 118,846                                     | 128,998    |

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

|                                  | 2013<br>£ | 2012<br>£ |
|----------------------------------|-----------|-----------|
| Fixtures, fittings and equipment | 14,035    | 42,106    |

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**LINE COMMUNICATIONS GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

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**12. FIXED ASSET INVESTMENTS**

|  | Investments<br>in<br>subsidiary<br>companies<br>£ |
|--|---|
| <b>Cost</b>                            |   |
| At 1 January 2013 and 31 December 2013 | 21,853  |
| <b>Net book value</b>                  |   |
| At 31 December 2013                    | 21,853  |
| At 31 December 2012                    | 21,853  |

**Subsidiary undertakings**

The following were subsidiary undertakings of the company:

| <b>Name</b>            | <b>Class of shares</b> | <b>Holding</b> |
|------------------------|------------------------|----------------|
| LINE Communications AG | Ordinary               | 100 %          |
| LINE On-Line Limited   | Ordinary               | 100 %          |
| LINE Learning Limited  | Ordinary               | 100 %          |

| <b>Name</b>            | <b>Business</b>               | <b>Registered office</b> |
|------------------------|-------------------------------|--------------------------|
| LINE Communications AG | Multimedia learning solutions | Switzerland              |
| LINE On-Line Limited   | Dormant                       | England & Wales          |
| LINE Learning Limited  | Dormant                       | England & Wales          |

The aggregate of the share capital and reserves as at 31 December 2013 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

| <b>Name</b>            | <b>Aggregate of<br/>share capital<br/>and reserves<br/>£</b> | <b>Profit<br/>£</b> |
|------------------------|--|---------------------|
| LINE Communications AG | (2,010)  | 32,997              |
| LINE On-Line Limited   | 2  | -                   |
| LINE Learning Limited  | 1,000  | -                   |

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**LINE COMMUNICATIONS GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**13. DEBTORS**

|                                    | 2013<br>£        | 2012<br>£        |
|------------------------------------|------------------|------------------|
| Trade debtors                      | 1,167,427        | 1,028,421        |
| Amounts owed by group undertakings | 123,866          | 217,634          |
| Corporation tax repayable          | 96,183           | 96,183           |
| Other debtors                      | 2,790            | 10,819           |
| Prepayments and accrued income     | 738,596          | 420,917          |
| Deferred tax asset (see note 16)   | 69,699           | 21,785           |
|                                    | <u>2,198,561</u> | <u>1,795,759</u> |

**14. CREDITORS:  
Amounts falling due within one year**

|  | 2013<br>£        | 2012<br>£        |
|--|------------------|------------------|
| Bank loans (Note 15)   | 60,000           | 60,000           |
| Net obligations under finance leases and hire purchase contracts | 23,132           | 23,224           |
| Trade creditors  | 173,129          | 108,374          |
| Amounts owed to group undertakings                               | 1,000            | 1,000            |
| Corporation tax  | 1,820            | -                |
| Other taxation and social security                               | 293,588          | 251,432          |
| Other creditors  | 81,028           | 24,579           |
| Accruals and deferred income                                     | 1,283,989        | 737,882          |
|  | <u>1,917,686</u> | <u>1,206,491</u> |

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**LINE COMMUNICATIONS GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

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**15. CREDITORS:**  
**Amounts falling due after more than one year**

|  | <b>2013</b>           | <b>2012</b>           |
|--|-----------------------|-----------------------|
|  | <b>£</b>              | <b>£</b>              |
| Bank loans   | <b>420,000</b>        | 480,000               |
| Net obligations under finance leases and hire purchase contracts | <b>2,276</b>          | 25,576                |
|  | <b><u>422,276</u></b> | <b><u>505,576</u></b> |

Included within the above are amounts falling due as follows:

|                                   | <b>2013</b>    | <b>2012</b> |
|-----------------------------------|----------------|-------------|
|                                   | <b>£</b>       | <b>£</b>    |
| <b>Between one and two years</b>  |                |             |
| Bank loans                        | <b>60,000</b>  | 60,000      |
| <b>Between two and five years</b> |                |             |
| Bank loans                        | <b>180,000</b> | 180,000     |
| <b>Over five years</b>            |                |             |
| Bank loans                        | <b>180,000</b> | 240,000     |

Creditors include amounts not wholly repayable within 5 years as follows:

|                          | <b>2013</b>    | <b>2012</b> |
|--------------------------|----------------|-------------|
|                          | <b>£</b>       | <b>£</b>    |
| Repayable by instalments | <b>180,000</b> | 240,000     |

The bank loan bears interest at 4.5% over LIBOR and is repayable by quarterly instalments of £15,000.

Obligations under finance leases and hire purchase contracts, included above, are payable as follows:

|                            | <b>2013</b>  | <b>2012</b> |
|----------------------------|--------------|-------------|
|                            | <b>£</b>     | <b>£</b>    |
| Between one and five years | <b>2,276</b> | 25,576      |

The company's bank loan facility is secured by a debenture over the assets of the company.

The amounts due under hire purchase contracts are secured against the assets concerned.

**LINE COMMUNICATIONS GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**16. DEFERRED TAX ASSET**

|                            | 2013<br>£     | 2012<br>£     |
|----------------------------|---------------|---------------|
| At beginning of year       | 21,785        | (18,034)      |
| Released during year (P&L) | 47,914        | 39,819        |
| At end of year             | <u>69,699</u> | <u>21,785</u> |

The deferred tax asset is made up as follows:

|                                | 2013<br>£       | 2012<br>£     |
|--------------------------------|-----------------|---------------|
| Accelerated capital allowances | 10,074          | (10,754)      |
| Tax losses carried forward     | (79,773)        | 32,539        |
|                                | <u>(69,699)</u> | <u>21,785</u> |

**17. SHARE CAPITAL**

|   | 2013<br>£     | 2012<br>£     |
|---|---------------|---------------|
| Aliotted, called up and fully paid<br>10,000 Ordinary shares of £1 each | <u>10,000</u> | <u>10,000</u> |

**18. RESERVES**

|                               | Capital<br>redemption<br>reserve<br>£ | Share<br>option<br>reserve<br>£ | Profit and<br>loss account<br>£ |
|-------------------------------|---------------------------------------|---------------------------------|---------------------------------|
| At 1 January 2013             | 33                                    | 33,013                          | 1,095,079                       |
| Profit for the financial year | -                                     | -                               | 577,692                         |
| Dividends: Equity capital     | -                                     | -                               | (90,000)                        |
| Share option charge           | -                                     | 9,335                           | -                               |
| At 31 December 2013           | <u>33</u>                             | <u>42,348</u>                   | <u>1,582,771</u>                |

**LINE COMMUNICATIONS GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**19. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

|                                      | 2013<br>£        | 2012<br>£        |
|--------------------------------------|------------------|------------------|
| Opening shareholders' funds          | 1,138,125        | 1,672,362        |
| Profit/(loss) for the financial year | 577,692          | (469,223)        |
| Dividends (Note 20)                  | (90,000)         | (75,000)         |
| Share option charge                  | 9,335            | 9,986            |
| Closing shareholders' funds          | <u>1,635,152</u> | <u>1,138,125</u> |

**20. DIVIDENDS**

|                                  | 2013<br>£     | 2012<br>£     |
|----------------------------------|---------------|---------------|
| Dividends paid on equity capital | <u>90,000</u> | <u>75,000</u> |

**21. PENSION COMMITMENTS**

The company contributes to a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £23,732 (2012: £22,817). Contributions totalling £2,280 (2012: £2,060) were payable to the fund at the balance sheet date and are included in creditors.

**22. OPERATING LEASE COMMITMENTS**

At 31 December 2013 the company had annual commitments under non-cancellable operating leases as follows:

|                     | Land and buildings<br>2013<br>£ | 2012<br>£      |
|---------------------|---------------------------------|----------------|
| <b>Expiry date:</b> |                                 |                |
| Within 1 year       | <u>105,900</u>                  | <u>105,900</u> |

**23. DIRECTORS' PERSONAL GUARANTEES**

P Lea, a director of the company, has provided a personal guarantee of £150,000 in respect of the bank loan.

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## **LINE COMMUNICATIONS GROUP LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013**

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#### **24. RELATED PARTY TRANSACTIONS**

The company forms part of a wholly-owned group for which consolidated financial statements are publicly available and accordingly has taken advantage of the exemption allowed under Financial Reporting Standard 8: Related Party Disclosures not to disclose transactions with other group entities.

#### **25. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The company is a wholly owned subsidiary of Line Communications Holdings Limited, a company incorporated in Great Britain and registered in England and Wales. During the year under review the directors regarded Line Communications Holdings Limited as the parent company of the largest and smallest group of which the company is a member and for which group financial statements are drawn up. Copies of the consolidated financial statements are available from the Registrar of Companies. P Lea, a director of the company, was the ultimate controlling party until 11 April 2014 when the entire share capital of Line Communications Holdings Limited was acquired by Learning Technologies Group Plc, a company incorporated in Great Britain and registered in England and Wales, which the directors now regards as the ultimate parent undertaking.