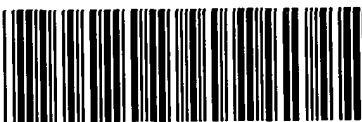


# **learndirect Limited**

## **Report and Financial Statements**

31 July 2014

WEDNESDAY



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COMPANIES HOUSE

**Directors**

G Craven  
R Peace  
D Wood  
J Chambers  
T Greenalgh  
A McMurray  
K Hills

**Secretary**

L Ward

**Auditors**

Ernst & Young LLP  
1 Bridgewater Place  
Water Lane  
Leeds  
LS11 5QR

**Bankers**

Clydesdale Bank plc  
30 St Vincent Place  
Glasgow  
G12HL

**Registered Office**

Dearing House  
1 Young Street  
Sheffield  
S1 4UP

Registered No. 3980770

## Strategic report

### Principal activity and review of the business

The company's principal activity is the provision of skills and work based training together with computer based assessment services.

The company had a successful year despite difficult market conditions. Turnover from continuing operations of £177.8m represents an increase of 40% compared to the prior year, but reflects the transfer of the trade of JHP Group Limited, a fellow group company, from 1 August 2013. The company's profit before tax for the financial year is £3.0m (2013 – £16.5m) after charging exceptional items of £2.9m (2013 – £2.9m). The profit of £2.0m (2013 – £12.6m) has been transferred to reserves.

The profit and loss account for the year is set out on page 9.

During the year, the company incurred £2.9m in exceptional costs. The major items were:

- £1.7m relating to the merger with Hamsard 3191 Limited;
- £0.3m in preparation for the Driving Standards Agency ("DSA") contract; and
- £0.9m relating to redundancy and compensation for loss of office.

The company has continued to develop products and services tailored to help learners enter work focussing on the more active recruitment sectors in the economy. The company continues to review the business operating model and make adjustments to the model to respond to changes in funding rules and new contract wins, focusing on efficiency improvements, whilst ensuring improved quality of both programme delivery and in-work support to learners and job seekers. These initiatives, together with the close relationships with the funding bodies ensures the company remains confident that it will be able to respond to the market and funding challenges and maintain an acceptable level of profitability to allow it to continue to invest in the development of the business for the longer term.

### Principal risks and uncertainties

There is a risk that learndirect Limited's maximum contract value with the SFA may be adversely impacted by reductions in public spending over the period of the current Comprehensive Spending Review and beyond.

To mitigate this risk the company's main focus remains in the area of key government policy and in particular Apprenticeship delivery. In addition given the company's size there is a risk funding rates for the qualifications that it offers to its learners and in particular learners undertaking basic skills including English and maths qualifications may be reduced. The company works closely with the SFA to ensure that the funding paid for these qualifications fully reflect the costs involved in delivery.

The company sub-contracts a material proportion of its delivery to independent sub-contracted providers. There is a risk that the sub-contracted providers fail to adequately meet the funding audit and learner eligibility requirements set by the SFA and the company becomes responsible to repay funding to the SFA.

### Key performance indicators

The company monitors progress via a portfolio of operational and quality key performance indicators covering all contracts and driven from its core learner management and e-portfolio management systems. Further details of these key performance indicators can be found in the Pimco (Holdings) Limited statutory financial statements.

### Financial risk management objectives and policies

The company uses financial instruments, other than derivatives, comprising cash and other liquid resources and various other items such as trade debtors and creditors that arise directly from its operations. The main purpose of the financial instruments is to raise finance for the company's operation. The directors have considered liquidity, cash flow, interest rate risk and credit risk and determined that the only material risk arising from the company's financial instruments are credit risk and liquidity risk. The directors review and agree policies for managing these risks as summarised below.

## Directors' report

### Financial risk management objectives and policies

#### *Credit risk*

The company's principal financial assets are bank balances and cash, trade and other receivables, and investments. The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The company has no significant concentration of credit risk, as its largest customer is the Skills Funding Agency, an agency of the Department for Business, Innovation and Skills.

#### *Liquidity risk*

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets and short and medium term deposits safely and profitably.

On behalf of the Board



R Peace  
Director

11 December 2014

## Directors' report

The directors present their report and financial statements for the year ended 31 July 2014.

### Results and dividends

The profit for the year after taxation amounted to £2.0m (2013 – profit of £12.6m). The directors do not recommend a final dividend (2013 – £nil).

### Dividend

The directors declared and paid an interim dividend of £15.0m (2013 - £5.3m). No final dividend has been paid or recommended in respect of the year ended 31 July 2014 (2013 - £Nil)

### Directors

The directors who served the company during the year were as follows:

G Craven

J Chambers (appointed 22 January 2014)

W Beedle (appointed 12 March 2014 and resigned 6 August 2014)

S Jones (resigned 6 August 2014)

R Peace

D Wood

T Greenalgh (appointed 4 July 2014)

A McMurray (appointed 6 August 2014)

K Hills (appointed 6 August 2014)

### Directors' liabilities

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

### Going concern

The company has a net current liability position at 31 July 2014 of £42.5m, this includes net amounts due to group undertakings of £33.4m. The company meets its day to day working capital requirements through its cash reserves (£3.5m at 31 July 2014). The financial statements have been prepared on a going concern basis. The company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report.

Having reviewed the budgets and projections of the company, and taking account of reasonably possible changes in trading performance and the re-financing of the Group (as detailed in the financial statements of Pimco (Holdings) Limited, the company's parent undertaking), the directors believe they have reasonable grounds for stating that the company has adequate resources to continue in operational existence for the foreseeable future.

The directors, in their detailed consideration of going concern, have reviewed the company's future cash forecasts and revenue projections, which they believe are based on prudent market data past experience, and believe, based on those forecasts and projections, that it is appropriate to prepare the financial statements of the company and the company on a going concern basis.

## Directors' report

### Employees

The company promotes equal opportunity for all employees and aims to ensure that no person receives less favourable treatment arising from their age, race, religion, sex or disability.

Applications from people with disabilities are given full consideration based on their skills and abilities. In the event of employees becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged and adjustments made. It is the policy of the company that the training, career development and promotion of a disabled person is, as far as possible, identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that employee views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial performance of the company. Communication with employees continues through briefings, regular meetings between managers and employees, the Employee Representative Group, e-mails and management blogs.

### Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

### Auditors

Deloitte LLP resigned as auditors on 27 May 2014 and Ernst & Young LLP was appointed in their place.

On behalf of the Board



R Peace  
Director

11 December 2014

## Statement of directors' responsibilities

The directors are responsible for preparing the annual report (incorporating the Strategic Report and 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 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

# **Independent auditor's report**

## **to the members of learndirect Limited**

We have audited the financial statements of learndirect Limited for the year ended 31 July 2014 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 28. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 6, 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 Report and Financial Statements 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 the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2014 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 Directors' Report and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



# Independent auditor's report

to the members of learndirect Limited

## 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.



Stuart Watson (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Leeds

12 December 2014

## Profit and loss account

for the year ended 31 July 2014

	Notes	2014 £000	2013 £000
<b>Turnover</b>	2	177,781	126,684
Cost of sales		(133,442)	(93,281)
<b>Gross profit</b>		44,339	33,403
Other operating income	3	84	3,323
Administrative expenses	4	(35,739)	(17,444)
Exceptional administration expenses	5	(2,945)	(2,878)
<b>Operating profit</b>	7	5,739	16,404
Finance (charges)/income (net)	6	(2,729)	93
<b>Profit on ordinary activities before taxation</b>		3,010	16,497
Tax on profit on ordinary activities	10	(967)	(3,894)
<b>Profit for the financial year</b>	21	2,043	12,603

All amounts relate to continuing activities.

## Statement of total recognised gains and losses

for the year ended 31 July 2014

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £2,043,000 in the year ended 31 July 2014 (2013 - profit of £12,603,000).

## Balance sheet

at 31 July 2014

	Notes	2014 £000	2013 £000
<b>Fixed assets</b>			
Intangible assets	12	33,612	34,305
Tangible assets	13	7,771	5,138
Investments	14	9,401	9,787
		<u>50,784</u>	<u>49,230</u>
<b>Current assets</b>			
Debtors	15	47,840	33,017
Cash at bank and in hand		3,520	21,865
		<u>51,360</u>	<u>54,882</u>
<b>Creditors:</b> amounts falling due within one year	16	(93,818)	(82,600)
<b>Net current liabilities</b>		<u>(42,458)</u>	<u>(27,718)</u>
<b>Total assets less current liabilities</b>		<u>8,326</u>	<u>21,512</u>
<b>Provisions for liabilities</b>	18	(2,731)	(2,960)
<b>Net assets</b>		<u>5,595</u>	<u>18,552</u>
<b>Capital and reserves</b>			
Called up share capital	19	-	-
Profit and loss account	20	5,595	18,552
<b>Shareholders' funds</b>	21	<u>5,595</u>	<u>18,552</u>

The financial statements were approved for issue by the Board of Directors and signed on their behalf by:



R Peace

Director

11 December 2014

## Notes to the financial statements

at 31 July 2014

### 1. Accounting policies

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention. The accounting policies have been applied consistently throughout the year and the preceding year.

#### *Going concern*

The company has a net current liability position at 31 July 2014 of £42.5m, this includes net amounts due to group undertakings of £33.4m. The company meets its day to day working capital requirements through its cash reserves (£3.5m at 31 July 2014). The financial statements have been prepared on a going concern basis. The company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report.

Having reviewed the budgets and projections of the company, and taking account of reasonably possible changes in trading performance and the re-financing of the Group (as detailed in the financial statements of Pimco (Holdings) Limited, the company's parent undertaking), the directors believe they have reasonable grounds for stating that the company has adequate resources to continue in operational existence for the foreseeable future.

The Directors, in their detailed consideration of going concern, have reviewed the company's future cash forecasts and revenue projections, which they believe are based on prudent market data past experience, and believe, based on those forecasts and projections, that it is appropriate to prepare the financial statements of the company and the company on a going concern basis.

#### *Group financial statements*

These financial statements present information about the company as an individual undertaking and not about its group. The company is exempt under section 400 of the Companies Act 2006 from the obligation to prepare group financial statements, being a wholly owned subsidiary undertaking of Pimco (Holdings) Limited, which prepares consolidated financial statements.

#### *Statement of cash flows*

The company has also taken advantage of the exemption from the obligation to prepare a statement of cash flows on the grounds that the company was a wholly owned subsidiary of Pimco (Holdings) Limited for the year under review and the results and cash flows of the company are included in the group financial statements of that company.

#### *Goodwill*

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight-line basis over its useful economic life, which is 20 years. Provision is made for any impairment.

#### *Turnover*

The majority of the company's turnover during the year has been earned under a contract with the Skills Funding Agency (SFA). This comprises funding earned under the Adult Skills classroom based and workplace (including apprenticeships) funding methodologies.

#### *Classroom based funding (formerly known as Adult learner responsive)*

The company contracts with learners to assist them in gaining an accredited qualification within their chosen programme of learning. Under the classroom based methodology, funding received to support learners is credited to the profit and loss account over the duration of the learning programme.

## Notes to the financial statements

at 31 July 2014

### 1. Accounting policies (continued)

#### **Turnover (continued)**

##### *Workplace funding including apprenticeships (formally known as Employer responsive)*

The company contracts with learners in the workplace to assist them in gaining an accredited qualification in their chosen programme of learning. Under the Workplace methodology, funding is received to support learners separately for 'on programme' learning and for successfully achieving the qualification. 'On programme' funding is credited to the profit and loss account over the duration of the learning programme. The achievement payment is recognised when the learner achieves the qualification.

##### *E-Assessment (Life in the UK)*

Fee turnover is recognised in the profit and loss account when the candidate takes the test. Fees received in advance of the test being taken are treated as deferred income and fees not received when the test is taken are included in debtors.

##### *Annual licence arrangements*

Turnover for the use of materials, systems and services under annual license arrangements is recognised evenly over the period for which the licence applies.

#### **Capital grants**

Capital grants receivable are treated in line with the relevant grant awarding body's funding requirements. Unless the awarding body specifies otherwise, capital grants receivable are treated as deferred income and released to the profit and loss account as the underlying assets are depreciated.

#### **Expenditure**

Costs are accounted for on an accruals basis.

#### **Exceptional items**

Non-recurring items which are material by virtue of their size or incidence are disclosed as exceptional items.

#### **Intangible fixed assets**

The cost of internally developed digital learning materials which have an estimated useful life of more than one year, are carried as an intangible assets and charged to profit and loss either over the estimated useful life of the materials or based on estimated usage where this can be accurately determined.

Third party licensed digital materials purchased in advance are carried as an intangible asset and charged to profit and loss based on usage.

#### **Tangible fixed assets**

The cost of tangible fixed assets is their purchase cost, plus own incremental labour costs capitalised together with any incidental expenses of acquisition. Only assets which cost more than £1,000 are capitalised.

Depreciation is calculated so as to write off the cost of tangible fixed assets on a straight-line basis over their useful economic lives. The estimated useful economic lives used for this purpose are:

Leasehold improvements	–	term of lease
Fixtures and fittings	–	5 years
Computer equipment	–	2 to 6 years
Computer software	–	3 to 7 years

Assets relating to specific projects are written off over the shorter of the asset's useful life or project life.

Software related development costs that are directly attributable to bringing a computer system into use are treated as part of the costs of the related hardware (a tangible asset) rather than as a separate intangible asset. Costs incurred to enhance software are also treated as a tangible asset. The directly attributable costs may include purchases, incidental expenses of acquisition and own incremental labour costs arising directly from the development of the software.

## Notes to the financial statements

at 31 July 2014

### 1. Accounting policies (continued)

#### *Tangible fixed assets (continued)*

Capitalisation begins once the company can reliably measure the expenditure attributable to the software development and has demonstrated its intention to complete and use the software such that it is reasonably confident that it will give rise to future economic benefits. Capitalised development expenditure is depreciated once the asset is brought into use on a straight-line basis over the useful economic life of the project to which it relates which will be in the range of 3 to 7 years.

All assets are reviewed annually to confirm their useful economic lives. Impairment reviews are performed where in the opinion of the directors the assets do not have continuing value in the business to support the net book value.

#### *Investments*

Investments are valued at the cost of the investment less provision for impairment.

#### *Deferred taxation*

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

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Deferred tax assets are recognised only to the extent that the directors consider that it is 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 is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### *Leasing and hire purchase commitments*

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the lease in such a way as to give a reasonably constant charge on the outstanding liability.

All other leases are "operating" leases and the annual rentals are charged to the profit and loss account on a straight-line basis over the lease term.

Rent free periods or other incentives received for entering into a lease are accounted for over the period of the lease so as to spread the benefit received over the lease term or, if shorter, the period ending when prevailing market rentals will become payable.

#### *Pensions*

Retirement benefits to employees of the company are provided under the following arrangements:

- a group stakeholder pension scheme;
- the Teachers' Pension Scheme (TPS); and
- contributions to personal pension plans of an employee's choice.

Contributions to the group stakeholder pension scheme, which is a defined contribution scheme, are charged to the profit and loss account when they become payable and in accordance with the rules of the scheme.

## Notes to the financial statements

at 31 July 2014

### 1. Accounting policies (continued)

#### *Pensions (continued)*

The TPS is a multi-employer defined benefit scheme which is externally funded and contracted out of the State Earnings Related Pension Scheme. It is not possible to identify each institution's share of the underlying assets and liabilities of the TPS and hence the company has followed the guidance under FRS 17 whereby the scheme is accounted for as if the scheme was a defined contribution scheme. Contributions to the scheme are charged to the profit and loss account in line with recognition of earnings.

The contributions are determined by qualified actuaries on the basis of four yearly valuations, using a prospective benefit valuation method.

Contributions to personal pension plans of an employee's choice are charged to the profit and loss account when they become payable and in accordance with the rules of the scheme.

#### *Current tax*

Current tax including UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws enacted or substantially enacted by the balance sheet date.

### 2. Turnover

	2014 £000	2013 £000
Classroom and workplace	167,837	117,817
E-assessment	8,013	7,079
Other	1,931	1,788
	<u>177,781</u>	<u>126,684</u>

Turnover is stated exclusive of VAT and arises wholly within the United Kingdom.

### 3. Other operating income

	2014 £000	2013 £000
Release of deferred income	84	3,323

Deferred income released during the year matches depreciation costs on assets acquired, which were financed from the SFA and Home Office funding received in prior periods.

### 4. Administration expenses

Administration expenses include £504,000 (2013 – £nil) of redundancy costs.

### 5. Exceptional administration expenses

	2014 £000	2013 £000
Exceptional administration expenses	2,945	2,878

## Notes to the financial statements

at 31 July 2014

### 5. Exceptional administration expenses (continued)

Exceptional costs in the current year include redundancy costs of £938,000, compensation for loss of office of £42,000 (recharged by the parent undertaking); costs incurred in preparing to enter new markets of £255,000; and transition costs of £1,710,000 arising on the merger of the company's parent undertaking, Pimco 2909 Limited with Hamsard 3191 Limited.

Exceptional costs in the prior year include redundancy costs of £64,000; compensation for loss of office of £457,000 (recharged by the parent undertaking); costs incurred in preparation for the Department of Transport's Driving Standard Agency testing contract of £480,000; transition costs of £591,000 arising on the merger of the company's parent undertaking, Pimco 2909 Limited, with Hamsard 3191 Limited and a £1,286,000 write off of licences prepaid, where no future benefit is expected to arise.

### 6. Finance (charges)/income (net)

	2014 £000	2013 £000
Interest payable and similar charges	(2,770)	(243)
Unwinding of discount on provisions	(11)	(9)
Interest receivable from bank deposits	52	283
Interest receivable from parent undertaking	-	62
	<u>(2,729)</u>	<u>93</u>

### 7. Operating profit

This is stated after (crediting)/charging:

	2014 £000	2013 £000
Government grant deferred income release	(84)	(3,323)
Depreciation of tangible fixed assets	1,522	3,575
Amortisation of intangible fixed assets	1,963	2,026
Amortisation of goodwill	1,651	-
Operating lease rentals – land and buildings	2,954	615
Operating lease rentals – other	398	327

The analysis of auditor's remuneration is as follows:

Fees payable to the company's auditors for the audit or company's financial statements			
	- Ernst & Young LLP	68	26
	- Deloitte LLP	18	-
Other services pursuant to legislation		15	-
Tax services	- Deloitte LLP	1	58
Corporate finance services		1	98
Total non-audit fees		<u>17</u>	<u>156</u>



## Notes to the financial statements

at 31 July 2014

### 8. Directors' remuneration

	2014 £000	2013 £000
Remuneration	526	-
Company contributions to defined contribution scheme	25	-
	<u>551</u>	<u>-</u>

Remuneration includes directors' salaries of £455,000 paid by Pimco 2909 Limited for services provided by directors to learndirect Limited which have been recharged to Learndirect Limited.

### 9. Staff costs

	2014 £000	2013 £000
Wages and salaries	46,620	14,973
Social security costs	5,320	1,375
Pension costs (see note 24)	1,659	1,031
Other staff costs	132	170
	<u>53,731</u>	<u>17,549</u>
Less:		
Capitalised own labour	(245)	(1,012)
	<u>53,486</u>	<u>16,537</u>

The average monthly number of employees (including executive directors) was:

	No.	No.
Operations	1,405	288
Administration	379	105
	<u>1,784</u>	<u>393</u>

Included within staff costs is £938,000 (2013 – £64,000) of redundancy costs and compensation for loss of office of £42,000 (2013 – £457,000) which are shown as exceptional items.

## Notes to the financial statements

at 31 July 2014

### 10. Tax on profit on ordinary activities

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2014 £000	2013 £000
<b>UK corporation tax</b>		
Current tax on profits for the year	-	2,436
Group relief paid for	932	1,350
Adjustment in respect of previous years	(98)	23
<b>Total current tax</b>	<b>834</b>	<b>3,809</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	137	110
Adjustment in respect of previous years	(4)	(4)
Impact of change in tax rate	-	(21)
Total deferred tax (see note 10(c))	133	85
Total tax on profits on ordinary activities	967	3,894

(b) Factors affecting tax charge for the year

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

	2014 £000	2013 £000
Profit on ordinary activities before tax	3,010	16,497
Profit on ordinary activities at standard UK corporation tax rate of 22.33% (2013 – 23.67%)	672	3,905
<b>Effects of:</b>		
Expenses not deductible for tax purposes	409	12
Capital allowances in excess of depreciation	(149)	(131)
Adjustment in respect of prior years – corporation tax	(98)	23
Current tax charge for year	834	3,809

## Notes to the financial statements

at 31 July 2014

### 10. Tax on profit on ordinary activities (continued)

(c) Deferred tax

	2014 £000	2013 £000
Movement on deferred taxation balance in the year		
At 31 July 2013	(361)	-
Charge to the profit and loss account	133	85
	<u>(228)</u>	<u>85</u>
Analysis of deferred tax asset		
Difference between capital allowances and depreciation	(206)	(313)
Other timing differences	(22)	(48)
	<u>(228)</u>	<u>(361)</u>

(d) Future tax charges

On 1 April 2014, the UK tax rate reduced from 23% to 21%. From 1 April 2015 the UK corporate tax rate will be 20%, as this has been substantively enacted at the balance sheet date, deferred tax has been calculated at 20%.

### 11. Dividends

The directors declared and paid an interim dividend of £15,000,000 (2013 - £5,250,000). The directors do not recommend a final dividend (2013 - £nil).

### 12. Intangible fixed assets

	<i>Learning products</i> £000	<i>Product licences</i> £000	<i>Goodwill</i> £000	<i>Total</i> £000
Cost:				
At 1 August 2013	1,368	2,120	32,843	36,331
Additions	426	1,897	598	2,921
At 31 July 2014	<u>1,794</u>	<u>4,017</u>	<u>33,441</u>	<u>39,252</u>
Amortisation:				
At 1 August 2013	94	1,932	-	2,026
Charge for the year	228	1,735	1,651	3,614
At 31 July 2014	<u>322</u>	<u>3,667</u>	<u>1,651</u>	<u>5,640</u>
Net book value:				
At 31 July 2014	<u>1,472</u>	<u>350</u>	<u>31,790</u>	<u>33,612</u>
At 31 July 2013	<u>1,274</u>	<u>188</u>	<u>32,843</u>	<u>34,305</u>

## Notes to the financial statements

at 31 July 2014

### 12. Intangible fixed assets (continued)

During the year the group acquired the trade of Expedient Training Consultancy Limited for £100,000 plus a deferred consideration of £496,000 and professional costs of £2,000. The fair value of net assets acquired was £nil.

Learning products includes assets under construction at 31 July 2014 of £nil (2013 – £1,181,000) which have not been depreciated at the balance sheet date.

### 13. Tangible fixed assets

	<i>Leasehold improvements £000</i>	<i>Fixtures and fittings £000</i>	<i>Computer Equipment and software £000</i>	<i>Total £000</i>
Cost:				
At 1 August 2013	1,565	1,247	26,382	29,194
Additions	71	156	3,928	4,155
At 31 July 2014	1,636	1,403	30,310	33,349
Depreciation:				
At 1 August 2013	1,334	1,044	21,678	24,056
Charge for the year	144	114	1,264	1,522
At 31 July 2014	1,478	1,158	22,942	25,578
Net book value:				
At 31 July 2014	158	245	7,368	7,771
At 31 July 2013	231	203	4,704	5,138

Computer equipment and software includes assets under construction at 31 July 2014 of £3,054,000 (2013 – £3,015,000) which have not been depreciated at the balance sheet date.

Fixtures and fittings include assets under construction at 31 July 2014 of £24,000 (2013: £nil) which have not been depreciated at the balance sheet date.

### 14. Investments

	<i>2014 £000</i>	<i>2013 £000</i>
<b>Subsidiary undertaking</b>		
At 1 August	9,787	-
Acquisition – JHP Group Limited	-	36,479
Deferred consideration adjustment – TABS Training Limited	(386)	6,151
Transferred to goodwill	-	(32,843)
	9,401	9,787

## Notes to the financial statements

at 31 July 2014

### 14. Investments (continued)

#### Principal investments

The company has investments in the following subsidiary undertakings, associates and other investments.

	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>Class of holdings</i>	<i>%</i>
<b>Subsidiary undertaking</b>				
Learndirect Centres Limited	England	Education provider	Ordinary	100
JHP Group Limited	England	Dormant	Ordinary	100

### 15. Debtors

	<i>2014 £000</i>	<i>2013 £000</i>
Amounts falling due within one year:		
Deferred tax asset (note 10(c))	228	361
Trade debtors	14,116	17,403
Other debtors	148	35
Corporation tax	770	-
Amounts owed by parent undertaking	30,529	11,891
Prepayments	2,049	3,327
	<u>47,840</u>	<u>33,017</u>

### 16. Creditors: amounts falling due within one year

	<i>2014 £000</i>	<i>Restated 2013 £000</i>
Trade creditors	4,685	6,172
Finance leases – due within one year	-	168
Amounts owed to service providers	8,137	11,113
Amounts owed to funding bodies	3,074	4,521
Corporation tax	-	587
Group relief	1,078	1,531
Other taxation and social security	1,741	1,922
Other creditors	6,576	7,053
Amounts owed to group undertakings	63,923	42,613
Accruals and deferred income	4,604	6,836
Deferred income from government grants (note 17)	-	84
	<u>93,818</u>	<u>82,600</u>

2013 restatement - £217,000 has been reclassified to accruals and deferred income from other creditors.

## Notes to the financial statements

at 31 July 2014

### 17. Deferred income from government grants

Deferred income from government grants represents income received for the purchase of fixed assets. This is credited to the profit and loss account in accordance with the company's accounting policy.

	2014 £000	2013 £000
At 1 August	84	3,407
Release to profit and loss account	(84)	(3,323)
At 31 July	-	84

### 18. Provisions for liabilities

	Deferred Consideration £000	Dilapidation £000	Total £000
At 1 August 2013	671	2,289	2,960
Charged/(credited) to profit and loss account	11	(341)	(330)
Released against investments	(395)	-	(395)
Acquisition – Expedient Training Consultancy (note 12)	496	-	496
At 31 July 2014	783	1,948	2,731

The dilapidations provision represents the expected future obligations relating to the maintenance of leasehold properties arising from events such as lease renewals or terminations. Dilapidation provisions have been derived based on a review undertaken by independent experts. The provision is expected to be utilised in the next five years.

The provision for deferred consideration is in respect of the acquisitions of Learndirect Centres Limited and the trade of Expedient Training Consultancy Limited.

£275,000 in respect of Learndirect Centres Limited is payable during 2014/15.

The provision for Expedient Training Consultancy Limited is payable in the next three years and is an estimate. The actual amount payable will depend on the profits of the acquired trade in the period to October 2015. The amount payable represents an estimate of the amount payable discounted at the Group's discount rate of 8%.

## Notes to the financial statements

at 31 July 2014

### 19. Issued share capital

	No.	2014 £	No.	2013 £
Allotted	10,000	10,000	10,000	10,000
Called-up, issued and fully-paid ordinary shares of £1 each	100	100	100	100

### 20. Movements on reserves

	<i>Profit and loss account £000</i>
At 1 August 2013	18,552
Profit for the financial year after taxation	2,043
Dividends paid	(15,000)
At 31 July 2014	<u>5,595</u>

### 21. Reconciliation of shareholders' funds

	2014 £000	2013 £000
Opening shareholder's funds	18,552	11,199
Profit for the financial year	2,043	12,603
Dividends paid	(15,000)	(5,250)
Closing shareholder's funds	<u>5,595</u>	<u>18,552</u>

### 22. Acquisition of subsidiary undertakings

On 30 April 2013, the company acquired the entire share capital of JHP Group Limited at a market value of £36,479,000.

On 31 May 2013 the company acquired the entire share capital of TABS Training Limited for a cash consideration of £5,273,000 plus acquisition costs of £216,000 and deferred consideration of £662,000. The fair value of the net assets on acquisition was £239,000 and £5,912,000 was transferred to goodwill.

On 31 July 2013 the trade and assets of JHP Group Limited were hived-up into learndirect Limited. The consideration for the hive-up was £3,636,000. The fair value of the net assets on the hive-up was £3,636,000 and £32,843,000 was transferred to goodwill.

During the year the group acquired the trade of Expedient Training Consultancy Limited for £100,000 plus a deferred consideration of £496,000 and professional costs of £2,000. The fair value of net assets acquired was £nil.

Acquisitions are accounted for under the acquisition method.

## Notes to the financial statements

at 31 July 2014

### 23. Capital commitments

Capital commitments are as follows:

	2014 £000	2013 £000
Contracted for but not provided for – other	58	658

### 24. Pensions

#### *Group stakeholder pension schemes*

Contributions are paid to the defined contribution schemes and charged to the profit and loss account as they become payable. Contributions are paid by the company between 2% and 10% of an employee's basic salary if the employee contributes between 1% and 5% of their salary. During the year contributions under these schemes amounted to £1,575,000 (2013 – £1,011,000).

#### *The Teachers' Pension Scheme*

The Teachers' Pension Scheme is an unfunded scheme. Contributions on a 'pay as you go' basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972.

The pension cost is assessed every four years in accordance with the advice of the government actuary using a prospective benefits valuation method. The last actuarial valuation of the scheme was at 31 March 2004. The Government Actuary's Department had been working on the valuation as at 31 March 2008, but the work was suspended pending the completion of the final report by the Independent Public Services Commission and the full consideration of the Spending Review announcements. The scheme has been invested notionally in government securities. A gross rate of interest of 6.5% per annum was assumed as the return on the investment and the rate of increase in salaries was assumed to be 1.5% per annum.

The value of the assets (estimated future contribution together with the proceeds from the notional investments held at the valuation date) was £163,240 million based on the valuation at 31 March 2004.

On the basis of the latest actuarial valuation, the company contributes at a rate of 14.1% of employee salary. Contributions paid by the company during the year were £21,000 (2013 – £20,000). Contributions were paid for 2 employees (2013 – 2). It is not possible to identify each institution's share of the underlying assets and liabilities of the Teachers' Pension Scheme and hence the company has taken advantage of the exemption in FRS 17 whereby the scheme is accounted for as if the scheme was a defined contribution scheme.

#### *Personal pension plans*

Contributions to personal pension plans are charged to the profit and loss account as they become payable. Contributions paid by the company during the year were £63,000 (2013 – £nil).

Contributions totalling £251,000 were payable to the pension funds at the balance sheet date.



## Notes to the financial statements

at 31 July 2014

### 25. Other financial commitments

Annual commitments under non-cancellable operating leases are as follows:

	<i>Equipment</i>		<i>Land and buildings</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Operating leases which expire:				
Within one year	43	1	921	1,052
In two to five years	185	202	353	935
Over five years	-	-	-	410
	<u>228</u>	<u>203</u>	<u>1,274</u>	<u>2,397</u>

Leases of land and buildings are typically subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

### 26. Related party transactions

In accordance with FRS 8 "Related Party Disclosures" transactions between members of the Pimco (Holdings) Limited group of companies are not required to be disclosed.

### 27. Debenture

The company issued a debenture over the fixed and floating assets to Pimco 2909 Limited on 4 October 2011.

### 28. Ultimate parent undertaking and controlling party

The ultimate parent undertaking is Pimco (Holdings) Limited, a company incorporated in England and Wales, by virtue of its 100% shareholding in the company. The largest and smallest group in which the results of the company are consolidated is that headed by Pimco (Holdings) Limited. The consolidated financial statements of this group are available to the public and may be obtained from Dearing House, 1 Young Street, Sheffield, South Yorkshire, S1 4UP.