

# City and Guilds Kineo Limited

Company registration number: 07150983

Directors' Report & Financial Statements  
for the year ended  
31 August 2020



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## Strategic Report

The directors submit their reports and audited financial statements of the company for the year ended 31 August 2020.

### STRATEGIC REPORT

The City and Guilds Group is a leader in global skills development, working across the world to help people, businesses and economies grow by shaping skills systems and supporting skill development. City and Guilds Kineo Limited ("Kineo") forms part of the Corporate Learning cluster, a number of businesses operating globally with a shared focus on helping the world's leading businesses improve performance through learning and technology.

The central brands within the cluster are "Kineo" and "The Oxford Group" both of which supply services to clients on a global basis. Kineo is a strategic leader in the field of online learning, designing learning experiences that drive measurable impact on business performance, whilst The Oxford Group has been focussed on unlocking leadership and management potential for the world's top businesses for over 30 years.

Both Kineo and The Oxford Group operate at the forefront of learning and development globally, and whilst the onset of the pandemic resulted in initial spending reductions among many of our corporate clients, it also meant rapid change for our teams as we looked to respond to the challenges facing our customers and learners around the world.

At Kineo, online learning was already deeply embedded in our DNA, and the six months following the pandemic have been challenging and rewarding in equal measure. Challenging because of the impact on our customers around the world, as whole industries and segments of the market absorbed and responded to profound change. Rewarding because of the way we've been able to partner with customers to help them respond by delivering learning experiences that engage, excite and empower learners.

This relentless focus on our customers, and on ensuring their responses deliver real impact, means our performance during the pandemic has held up well and we've continued to extend a range of open resources in support of customers and learners: we launched COVID-19 support hubs on the websites; we issued a series of free webinars and guides to support organisations with remote working, dealing with ambiguity and leading remote teams for example.

None of this would be possible without the grit, resilience, and passion of all our colleagues and partners in Kineo and that's what makes both businesses so special, and why we are so confident as I look ahead to our future in this post-pandemic world.

Profit for the year was £8,566,000 compared to a net income of £868,000 last year, with a gain of £7,785,000 on disposal of a minority share in Totara (a Learning Management System company in New Zealand). We have retained a strategic relationship with Totara and continue as a platinum partner.

The performance of the company is measured in a number of ways including financial metrics that are included in these financial statements such as total turnover, changes in cost rates and the time taken by clients to pay invoices. Due to the impact of COVID-19 the forecasted figures became unachievable, with sales and the ability to push through efficiency programs being impacted. Performance, however, remained reasonable compared to FY19 as a result of some of the projects achieved prior to the impact of COVID-19.

	Actual	Budget	FY19
Turnover growth	-17%	10%	-6%
Cost / growth	-4%	-13%	2%
Receivables time	40 days	60 days	36 days

Internal financial metrics include client numbers, invoicing activity and project profitability. The company has implemented a project management system to enable both project managers and the client delivery team to track project input and assess performance against budgets and forecasts. Other non-financial metrics include measuring the size of the pipeline of potential future client engagements, the interaction of clients and potential clients with marketing activities, client feedback, net promoter scores, staff engagement and resource utilisation. There is no one single performance measure that has absolute priority so the management monitor trends and exceptions to establish if business objectives are being achieved.

The principal risk facing the future of the company in the short term is the impact of COVID-19 on Kineo itself, but more crucially on its customers and the communities it serves. Longer term, the pandemic is likely to change the learning and development landscape with a move to more virtual delivery methods.

The Company has exposures to three main areas of risk – operational risk, liquidity risk and customer credit exposure:

- Operational risk  
This is the ability of the Company to meet the contractual expectations of its clients. Typically, Kineo will provide services to its clients on the basis of a defined project requirement with fixed budgets. Accordingly, the risk to the company is that client requirements are not suitably met. We seek to mitigate these risks by having detailed project tracking and resource systems,

## Strategic Report (continued)

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measure client satisfaction and have multiple contact points with client. Accordingly, we seek to ensure that the right staff work on a client engagement and achieve a great result.

- **Liquidity risk**

The objective of City and Guilds Kineo Limited in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. It expects to meet its financial obligations through operating cash flows. In the event that the operating cash flows would not cover all the financial obligations it has credit facilities available. City and Guilds Kineo Limited is in a position to meet its commitments and obligations as they come due.

- **Customer credit exposure**

City and Guilds Kineo Limited may offer credit terms to its customers which allow payment of the debt after delivery of the goods or services. It is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is mitigated by the strong on-going customer relationships and by credit insurance.

We feel well placed to further support our customers with the release of version 13 Totara and the development of the Kineo Edition offer that harnesses the new functionality alongside the updated value proposition within or Bespoke Content offer.

In responding to the potential challenges of COVID-19 we have implemented tighter fiscal controls and an enhanced reporting frequency that enable management to make informed decisions during what is a volatile period for all businesses.

By order of the Board



J T Conybeare-Cross  
**Director**  
28 May 2021

Sovereign House  
Church Street  
Brighton  
East Sussex  
BN1 1SS

## Directors' Report

### DIRECTORS' REPORT

#### Principal activities

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

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

Services include learning consultancy, the development of bespoke e-learning, the supply of generic e-learning as well as on-going hosting and support activities.

#### Review of business and future developments

The UK based business continues to trade successfully and provides the core management and systems for the overseas operations. The directors will continue to grow the Company to further the charitable objectives of its parent, the City and Guilds of London Institute.

#### Results

The profit for the period amounted to £8,566,000 (2019: £868,000). The directors do not recommend the payment of a dividend.

#### Directors and their interests

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

J T Conybeare-Cross  
C J Payne

The directors who held office at the end of the financial year have no beneficial interest in the shares of the Company (2019: £nil).

#### Going concern

Going concern is a fundamental accounting concept that underlies the preparation of these accounts. Under the going concern concept it is assumed that the Company will continue in operation for the foreseeable future, and that there is neither the intention nor the need to either liquidate or cease operations.

The directors assessed Going Concern of City and Guilds Kineo Limited in respect of its financial performance, budgeting and forecasting, timing of cash flows as well as products, services and markets. In making their assessment, management stress tested the budget and various scenario models, incorporating a number of assumptions. Base-case projection shows Company operating loss for FY21 of £0.8m. Result of sensitivity analysis shows that for a 5% full year reduction in revenue, operating surplus and cashflows will reduce by c. £0.3m. The stress test has demonstrated that the business could become insolvent in the next 12 months if 43% of annual income is lost. As a result of this, no formal financial support covering the next 12 months from the date of sign off is required to be provided by the parent charity. This stress testing, along with the positive post FY20 financial performance of the Company, which tracks ahead of the base-case, have given management comfort that the Company will continue to be able to meet its liabilities as they fall due for at least the next 12 months from the date of approval of the financial statements.

Management has determined that there are no material uncertainties that may cast significant doubt about the Company's ability to continue as going concerns and hence these financial statements have been drawn up on a going concern basis. (also refer to Accounting convention on Page 11)

## Directors' Report (continued)

### Statement of directors' responsibilities

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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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.

### Statement of disclosure of information to auditors

In so far as the directors are aware:

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

### Independent auditors

BDO LLP was reappointed as the company's auditor for the year ended 31 August 2020 and has expressed willingness to continue in office. A resolution to re-appoint BDO LLP will be proposed at the annual general meeting.

By order of the Board



J T Conybeare-Cross  
Director  
28 May 2021

Sovereign House  
Church Street  
Brighton  
East Sussex  
BN1 1SS

## Independent Auditor's Report to the members of City and Guilds Kineo Limited

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### **Opinion**

We have audited the financial statements of City & Guilds Kineo Limited ("the Company") for the year ended 31 August 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position and the Statement of Changes in Equity, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2020 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.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

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

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

### **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the Strategic Report and Directors' Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified

## Independent Auditor's Report to the members of City and Guilds Kineo Limited (continued)

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material misstatements in the Strategic report and Directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

### **Responsibilities of Directors**

As explained more fully in the Directors' Report, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

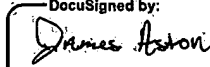
### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Use of our report**

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.

DocuSigned by:  
  
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James Aston (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
Gatwick, UK  
Date: 03 June 2021

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



## Statement of Comprehensive Income for the year ended 31 August 2020

	Note	Year ended 31 August 2020 £'000	Year ended 31 August 2019 £'000
Turnover	2	11,139	13,441
Cost of sales		(8,552)	(9,283)
<b>Gross profit</b>		<b>2,587</b>	<b>4,158</b>
Administrative expenses		(3,570)	(3,290)
<b>Operating Profit</b>	4	<b>(983)</b>	<b>868</b>
Income from fixed asset investments		1,764	-
Profit on ordinary activities before taxation		781	868
Gain on disposal of investment		7,785	-
Taxation on profit on ordinary activities	5	-	-
<b>Profit after tax and total comprehensive income for the year</b>		<b>8,566</b>	<b>868</b>

These results relate to continuing operations.

The notes on pages 10 to 17 form part of these financial statements.

## Statement of Financial Position as at 31 August 2020

	Note	31 August 2020 £'000	31 August 2019 £'000
Tangible fixed assets	6	50	106
Investments	7	-	322
<b>Fixed Assets</b>		<b>50</b>	<b>428</b>
Debtors	8	9,850	3,329
Cash at bank and in hand		2,660	3,231
<b>Current assets</b>		<b>12,510</b>	<b>6,560</b>
Creditors: amounts falling due within one year	9	(2,639)	(5,625)
<b>Net current assets</b>		<b>9,871</b>	<b>935</b>
<b>Total assets less current liabilities</b>		<b>9,921</b>	<b>1,363</b>
Provisions	10	(279)	(287)
<b>Net assets</b>		<b>9,642</b>	<b>1,076</b>
<b>Capital &amp; Reserves</b>			
Called up share capital	11	-	-
Share premium		28	28
Profit and loss account		9,614	1,048
<b>Total Shareholders funds</b>		<b>9,642</b>	<b>1,076</b>

The notes on pages 10 to 17 form part of these financial statements.

The financial statements on pages 7 to 17 were approved and authorised for issue by the Board of Directors on 28 May 2021 and signed on its behalf by:



J T Conybeare-Cross  
Director

Company registration no: 07150983

## Statement of Changes in Equity for the year ended 31 August 2020

	Note	Share capital £'000	Share premium £'000	Profit and loss account £'000	Total equity £'000
1 September 2018		-	28	180	208
Profit for the financial year		-	-	868	868
<b>31 August 2019</b>		<b>-</b>	<b>28</b>	<b>1,048</b>	<b>1,076</b>
		Share capital £'000	Share premium £'000	Profit and loss account £'000	Total equity £'000
1 September 2019		-	28	1,048	1,076
Profit for the financial year		-	-	8,566	8,566
<b>31 August 2020</b>		<b>-</b>	<b>28</b>	<b>9,614</b>	<b>9,642</b>

The notes on pages 10 to 17 form part of these financial statements.

## Notes to the Financial Statements for the year ended 31 August 2020

### 1. Accounting policies

City and Guilds Kineo Limited is a private company limited by shares and is registered and domiciled in England and Wales, registration number 07150983. The registered office is Sovereign House, Church Street, Brighton, East Sussex, BN1 1SS.

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

#### 1.1 Accounting convention

The financial statements are prepared on a going concern basis, and in accordance with the Companies Act 2006 and FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland. There were no material departures from the standard.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies.

#### 1.2 Going Concern

##### Assessment of Going Concern

- **Review of financial performance:** Management reviews the financial performance of the organisation on a monthly basis, including a review of monthly management accounts and evaluation of actual results compared to budgets and forecasts. The management accounts are shared with the Board of Trustees of the parent charity and the group Audit & Risk Committee for their reviews. Management also reviews both financial and non-financial key performance indicators on a monthly basis, and in the light of COVID-19, has introduced a number of weekly indicators, including non-financial indicators to ensure early identification of issues.
- **Budgeting and forecasting:** Management undertakes a formal schedule of financial budgeting and forecasting of revenues, expenses, cash flows and liquidity regularly in each financial year which are taken to the Board of Trustees of the parent charity for their approval. Budgets and forecasts, along with any revisions to them, are reviewed by the Board and the group Audit & Risk Committee and are then approved by the Board. Given the uncertainties and challenges presented by the COVID-19 pandemic, in May 2020, management extended the planning period to 24 months and included stress testing of the Company's cash position in the event of downside risks.
- **Timing of cash flows:** Management evaluates cash resources and availability of facilities in the funding of operating activities, and develops adequate plans to enable the organisation to take effective action to alter the amounts and timings of its cash flows so that it can respond to unexpected needs or opportunities.
- **Products, services and markets:** Management considers emerging economic, socioeconomic and political trends within the markets in which it operates, and considers how the organisation might adapt its product offerings accordingly, and it assesses whether there are any other factors which may impact the organisation's ability to deliver its charitable mission.

The directors assessed Going Concern of City and Guilds Kineo Limited in respect of its financial performance, budgeting and forecasting, timing of cash flows as well as products, services and markets. In making their assessment, management stress tested the budget and various scenario models, incorporating a number of assumptions. Base-case projection shows Company operating loss for FY21 of £0.8m. Result of sensitivity analysis shows that for a 5% full year reduction in revenue, operating surplus and cashflows will reduce by c. £0.5m. The stress test has demonstrated that the business could become insolvent in the next 12 months if 43% of annual income is lost. As a result of this, no formal financial support covering the next 12 months from the date of sign off is required to be provided by the parent charity. This stress testing, along with the positive post FY20 financial performance of the Company, which tracks ahead of the base-case, have given management comfort that the Company will continue to be able to meet its liabilities as they fall due for at least the next 12 months from the date of approval of the financial statements.

## Notes to the Financial Statements for the year ended 31 August 2020 (continued)

### 1. Accounting policies continued

Management has determined that there are no material uncertainties that may cast significant doubt about the Company's ability to continue as going concerns and hence these financial statements have been drawn up on a going concern basis.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

#### 1.3 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by Section 400 of the Companies Act 2006 as it is a fellow subsidiary undertaking of The City and Guilds of London Institute, as referenced in note 14.

#### 1.4 Disclosure exemptions

In preparation of the company accounts, advantage has been taken of the following disclosure exemptions available under FRS 102:

- no cash flow statement has been presented; and
- disclosures in respect of financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole.

#### 1.5 Tangible fixed assets and depreciation

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

Computer software and Hardware	33⅓%
Fixtures and Fittings	25%

#### 1.6 Turnover

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

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

## Notes to the Financial Statements for the year ended 31 August 2020 (continued)

### 1. Accounting policies continued

#### 1.7 Taxation

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

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

Deferred tax is measured on a non-discounted basis.

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

#### 1.8 Pensions

The company has certain employees who are members of a multi-employer benefit scheme. The company accounts for this scheme as a defined contribution arrangement in accordance with the exemptions available under FRS 102.

#### 1.9 Key management personnel

As a qualifying entity (wholly owned subsidiary, non charity) the company have decided to take advantage of 1.12 point e) to not disclose key management personnel compensation in total.

#### 1.10 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

#### 1.11 Debtors and creditors

Debtors and creditors with no stated interest rate and receivables or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the statement of comprehensive income as administrative expenses.

#### 1.12 Significant accounting judgments and estimates

The preparation of the company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

In preparing these financial statements, the management has made the following judgements:

- **Indicators of impairment**

Management determines whether there are indicators of impairment of the company's assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

The key assumption concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The company has based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the company. Such changes are reflected in the assumptions when they occur.

- **Tangible and intangible fixed assets:** assets are depreciated or amortised over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

## Notes to the Financial Statements for the year ended 31 August 2020 (continued)

### 1. Accounting policies continued

- **Provisions against receivables:** Using information available at the balance sheet date, the Directors make judgments based on experience regarding the level of provision required to account for potentially uncollectible receivables.
- **Carrying value of investments:** Investments are carried at cost less impairment. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

### 2. Turnover

	Year ended 31 August 2020 £'000	Year ended 31 August 2019 £'000
Learning creation and delivery	11,139	13,441

### 3. Staff costs

	Year ended 31 August 2020 £'000	Year ended 31 August 2019 £'000
Wages and salaries	5,237	5,815
Social security	525	608
Pension	619	683
	6,381	7,106

The average number of employees for the period was 134 (2019: 147).

The company makes contributions on behalf of its employees to a defined contribution pension scheme. Contributions during the year total £619,000 (2019: £683,000).

Since it is not possible for City and Guilds Kineo Limited to separately identify its share of the underlying assets and liabilities of the defined benefit scheme in which it participates on a reasonable and consistent basis, the company as a subsidiary of The City and Guilds of London Institute, has taken advantage of the multi-employer exemption provided by FRS 102 Section 28 and accounted for the schemes as if they were a defined contribution scheme whereby contributions are charged to the income statement on an accruals basis as they fall due. Please see the financial statements of the City and Guilds of London Institute for further information on this scheme.

## Notes to the Financial Statements for the year ended 31 August 2020 (continued)

### 4. Operating Profit

Operating profit is stated after charging:

	Year ended 31 August 2020 £'000	Year ended 31 August 2019 £'000
Audit fees	15	9
Depreciation of tangible fixed assets	56	69
Operating lease charges	461	427
Net losses / (gains) on foreign currency transactions	2	4

### 5. Tax on Profit on ordinary activities

	Year ended 31 August 2020 £'000	Year ended 31 August 2019 £'000
<b>Profit on ordinary activities before taxation</b>	<b>781</b>	<b>868</b>
Profit on ordinary activities multiplied by the small companies' rate of corporation tax in the UK of 19% (2018: 19%)	148	165
Effects of:		
Capital allowances (higher) than depreciation	(6)	(3)
Tax loss utilised	(148)	(165)
Losses brought forward utilised in the period	-	-
Other permanent differences	6	3
Prior period adjustment		
<b>Tax charge</b>	<b>-</b>	<b>-</b>



## Notes to the Financial Statements for the year ended 31 August 2020 (continued)

### 6. Tangible fixed assets

	Fixtures and fittings	Computer software and hardware	Total
	£'000	£'000	£'000
<b>Cost</b>			
At 1 September 2019	286	497	783
Additions	-	-	-
Disposals	-	-	-
<b>At 31 August 2020</b>	<b>286</b>	<b>497</b>	<b>783</b>
<b>Accumulated depreciation</b>			
At 1 September 2019	286	391	677
Charge for period	-	56	56
<b>At 31 August 2020</b>	<b>286</b>	<b>447</b>	<b>733</b>
Net Book Value at 31 August 2019	-	106	106
<b>Net book value at 31 August 2020</b>	<b>-</b>	<b>50</b>	<b>50</b>

### 7. Investments

	Investments
	£'000
<b>Cost</b>	
At 1 September 2019	322
Disposals	(322)
<b>At 31 August 2020</b>	<b>-</b>

Investments as at 1 September 2019 relate to a 33% investment in Totara Learning Solutions Limited. The investment was not treated as an associate despite a holding of more than 20% as City and Guilds Kineo Limited did not exert significant influence over the operating and financial policies of the company.

During the current financial year, a disposal was made of the entire investment in Totara Learning Solutions Limited. This resulted in a realised gain of £7,784,722.

The company has a wholly owned subsidiary, Kineo Group Inc., incorporated in the USA. The investment in this subsidiary was established at no cost to the company. The subsidiary made a profit of £626,000 (2019: £296,000) for the year and its aggregate amount of capital and reserves were £610,000 (2019: £629,000) at the balance sheet date. A dividend distribution of £1,050,800 was due at the year end.

## Notes to the Financial Statements for the year ended 31 August 2020 (continued)

### 8. Debtors: amounts falling due within one year

	31 August 2020 £'000	31 August 2019 £'000
Trade debtors	1,449	1,573
Amounts owed by ultimate parent undertaking	4,437	-
Amounts owed by subsidiary undertaking	45	13
Amounts owed by group undertakings	3,449	1,246
Corporation tax repayable	1	-
Other debtors	-	1
Amounts recoverable on contracts	304	436
Prepayments	165	60
	<b>9,850</b>	<b>3,329</b>

An impairment loss in respect of bad and doubtful trade debtors of £nil (2019: £nil) was recognised against trade debtors.

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

	31 August 2020 £'000	31 August 2019 £'000
Client advance payments	137	137
Trade creditors	135	166
Amounts owed to parent undertaking	-	3,129
Amounts owed to group undertakings	282	147
Other creditors	100	160
Deferred income	1,221	1,460
Accruals	764	426
	<b>2,639</b>	<b>5,625</b>

### 10. Provisions

	31 August 2020 £'000	31 August 2019 £'000
At 1 September 2019	287	287
Amount provided in the year	(8)	-
At 31 August 2020	<b>279</b>	<b>287</b>

The above total is made up of deferred tax of £4,000 (2019: £12,000) and dilapidations of £275,000 (2019: £275,000). Whilst there are no operating leases held by City and Guilds Kineo Limited, the lease for the office building used by Kineo is held by the parent company and relevant costs are recharged back to Kineo. As Kineo is the sole user of the office it will be responsible for repairs at the end of the lease and a provision has been made for dilapidations in line with the lease term.

## Notes to the Financial Statements for the year ended 31 August 2020 (continued)

### 11. Called up share capital

	31 August 2020 £	31 August 2019 £
<b>Authorised, issued and fully paid</b>		
10,400 ordinary shares of £0.01 each	<b>104</b>	<b>104</b>

The share capital of the company is £104 divided into 10,400 Ordinary shares of £0.01 each, and the company shall have the power to divide the original or any increased capital into several classes, and to attach thereto any *preferential, deferred qualified or other special* rights, privileges, restrictions or conditions. These shares have attached to them full voting, dividend and capital distribution rights; they do not confer any rights of redemption.

### 12. Ultimate parent undertaking

The company's immediate and ultimate parent undertaking and controlling party is The City and Guilds of London Institute registered charity number 312832, an organisation formed under Royal Charter which is a charity registered in England and which operates worldwide. The principal address of The City and Guilds of London Institute is 5-6 Giltspur Street, London, EC1A 9DE. Group financial statements have been prepared as at 31 August 2020 and may be obtained from the Secretary at the above address.

### 13. Related party transactions

The company is wholly owned by its parent undertaking. The company has therefore elected to make use of the exemption provided in Section 33.1A of FRS 102, 'Related Party Disclosures' not to disclose related party transactions with other wholly owned members of the City & Guilds Group.

The company paid £564,000 (2019: £521,000) to Totara Learning Solutions Limited for services provided. £nil was due to Totara Learning Solutions Limited (2019: £nil) at the year end.

There are no other related party transactions to disclose (2019: none).