

learndirect Limited

Annual report and financial statements

For the year ended 31 July 2013

Registered number: 3980770

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learndirect Limited

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learndirect Limited

Officers and professional advisers

Company registration number: 3980770

Registered and principal office: Dearing House
1 Young Street
Sheffield
S1 4UP

Chief Executive: R Peace

Directors: S Jones
G Craven
D Wood

Company Secretary: L Ward

Bankers: Clydesdale Bank plc
30 St Vincent Place
Glasgow
G1 2HL

Auditor: Deloitte LLP
Chartered Accountants and Statutory Auditor
Birmingham
United Kingdom

learndirect Limited

Directors' report

The directors present their annual report on the affairs of the Company, together with the financial statements and auditors' report, for the year ended 31 July 2013.

Principal activities

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

Business review

On 30 November 2012, the Company's parent company, Pimco 2909 Limited, announced a merger with Hamsard 3191 Limited in a share exchange to create a new holding company, Pimco (Holdings) Limited. The merger between the two groups allows the Pimco (Holdings) group to develop a broader range of services for unemployed learners through to learners taking level 3 and level 4 qualifications.

On 30 April 2013, the Group's investment in JHP Group Limited was transferred to learndirect Limited, at a market value of £36.5m.

On 31 May 2013 the Company acquired the entire share capital of TABS Training Limited for £6.2m. TABS Training Limited subsequently changed its name to Learndirect Centres Limited.

On 31 July 2013 the trade and assets (£3.6m) of JHP Group Limited were hived up into the Company. There was no impact on the profit and loss account this year.

The Company had a successful year despite difficult market conditions. Turnover from continuing operations of £126.7m represents a reduction of 5% compared to the prior year. The Company's profit before tax for the financial year is £16.5m (2012: £13.6m) after charging exceptional items of £2.9m (2012: £2.0m). The retained profit of £12.6m (2012: £10.2m) has been transferred to reserves.

The profit and loss account for the year is set out on page 7.

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

- £1.1m relating to the merger with Hamsard 3191 Limited;
- £0.5m in preparation for the Driving Standards Agency ("DSA") contract; and
- £1.3m written off in respect of prepaid software licences, where no future benefit is expected to arise.

The Skills Funding Agency ("SFA") announced in May 2011 that it was going to tender for the management of the UK online centres network. The Company took the decision that the UK online business was not aligned with the Company's strategy and so decided not to submit a bid. The SFA announced on 4 November 2011 the appointment of a new managing agent for the UK online operations. The Company successfully transferred the operations together with 31 employees on 30 November 2011. The results of this business up to 30 November 2011 and the comparatives for the year ended 31 July 2012 are shown under discontinued operations.

2012 was also the first year that the Company operated under a contract for services with its main customer, the SFA.

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.

learndirect Limited

Directors' report (continued)

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 math's 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. In response to this risk the Company commissioned an independent review of its anti-fraud policies and procedures from a leading firm of accountants. The report identified areas for improvement its anti-fraud procedures and monitoring processes, The Company has adopted the recommendations in the report and has developed an action plan to implement the recommendations.

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 accounts.

Going concern

The Company has a net current liability position at 31 July 2013 of £27.7m, this includes amounts due to group undertakings of £42.6m. The Company meets its day to day working capital requirements through its cash balance of £21.9m. 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 above.

In December 2013, the Pimco (Holdings) Limited group renegotiated its financing facilities and the Pimco (Holdings) Limited group and the Company have prepared revised forecasts. Having reviewed the budgets and projections of the enlarged group, and taking account of reasonably possible changes in trading performance, the directors believe they have reasonable grounds for stating that the Company has adequate resources to continue in operational existence for the foreseeable future.

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.

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.

learn2direct Limited

Directors' report (continued)

Dividend

Directors recommended a final dividend of £5,250,000 (£52,500 per ordinary share) in respect of the year ended 31 July 2012 which was approved by the shareholders and paid on 30 November 2012. No dividends have been paid or recommended in respect of the year ended 31 July 2013.

Directors and their interests

The directors, who served throughout the year except as noted, were as follows:

G Craven
S Jones
R Peace
D Wood

None of the directors had any interest in the shares of the Company at 31 July 2013 or 31 July 2012.

Directors' indemnities

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.

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.

Auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP having indicated their willingness to continue in office, will be deemed to be reappointed for the next financial year in accordance with section 478(2) of the Companies Act and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Approved by the Board and signed on its behalf by:



R. Peace

3rd January 2014
Dearing House
1 Young Street
Sheffield S1 4UP

learndirect Limited

Directors' responsibilities statement

The directors are responsible for preparing the Annual 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; 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 2013 which comprise the Profit and loss account, the Balance Sheet and the related notes 1 to 30. 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, 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 annual report to identify material inconsistencies with the audited financial statements. 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 July 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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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.

 Jane Whitlock (Senior statutory auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

Birmingham, United Kingdom

3rd January 2014

learndirect Limited

Profit and loss account For the year ended 31 July 2013

	Note	2013 £'000	2012 £'000
Turnover	2	126,684	133,655
Cost of sales	3	(93,281)	(111,514)
Gross profit		33,403	22,141
Other operating income	4	3,323	7,307
Administration expenses	5	(17,444)	(14,403)
Exceptional administration expenses	6	(2,878)	(2,038)
Operating profit		16,404	13,007
Finance income (net)	7	93	582
Profit on ordinary activities before taxation	8	16,497	13,589
Tax on profit on ordinary activities	11	(3,894)	(3,422)
Profit on ordinary activities after taxation	23, 24	12,603	10,167

The result for the year arises from the Company's continuing operations.

A separate statement of recognised gains and losses has not been prepared as the Company has no recognised gains and losses other than the result other the year stated above.

learndirect Limited

Balance sheet As at 31 July 2013

	Note	2013 £'000	2012 £'000
Fixed assets			
Intangible assets	14	34,305	-
Tangible assets	15	5,138	4,272
Investments	13	9,787	-
		<u>49,230</u>	<u>4,272</u>
Current assets			
Stocks	16	-	8
Debtors	17	33,017	6,153
Cash at bank and in hand		21,865	34,270
		<u>54,882</u>	<u>40,431</u>
Creditors: Amounts falling due within one year	18	<u>(82,600)</u>	<u>(32,365)</u>
Net current (liabilities)/assets		<u>(27,718)</u>	<u>8,066</u>
Total assets less current liabilities		<u>21,512</u>	<u>12,338</u>
Creditors: Amounts falling due after more than one year	19	-	(82)
Provisions for liabilities	21	(2,960)	(1,057)
Net assets		<u><u>18,552</u></u>	<u><u>11,199</u></u>
Capital and reserves			
Called-up share capital	22	-	-
Profit and loss account	23	18,552	11,199
Shareholder's funds	24	<u><u>18,552</u></u>	<u><u>11,199</u></u>

The financial statements of learndirect Limited, registered number 3980770 were approved by the board of directors and authorised for issue on 3rd January 2014. They were signed on its behalf by:



R Peace
Director

learndirect Limited

Notes to financial statements For the year ended 31 July 2013

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.

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.

Exemption from the obligation to prepare a cash flow statement

The Company has also taken advantage of the exemption from the obligation to prepare a cash flow statement 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 consolidated financial statements of that company for the 8 month period to 31 July 2013.

Going concern

The Company has a net current liability position at 31 July 2013 of £27.7m, this includes amounts due to group undertakings of £42.6m. The Company meets its day to day working capital requirements through its cash balance of £21.9m. 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 above.

In December 2013, the Pimco (Holdings) Limited group renegotiated its financing facilities and the Pimco (Holdings) Limited group and the Company have prepared revised forecasts. Having reviewed the budgets and projections of the enlarged group, and taking account of reasonably possible changes in trading performance, the directors believe they have reasonable grounds for stating that the Company has adequate resources to continue in operational existence for the foreseeable future.

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 and Grant in Aid for UK online centres activity.

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.

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.

UK online centres (prior year only)

The Company received Grant-in-Aid funding for UK online centres. To the extent that costs have been incurred and accounted for, this is recognised on an accruals basis in line with the terms of the Financial Memorandum. Funding received in excess of costs incurred is treated as a creditor.

Notes to financial statements (continued)
For the year ended 31 July 2013

1. Accounting policies (continued)

Turnover (continued)

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.

Classroom based funding

The cost of supporting learners is recognised over the duration of the learning programme. An accrual is made based on average achievement rates for learners that are continuing to learn but have yet to achieve the qualification so as to charge the achievement payment over the course of the programme.

Workplace funding including apprenticeships

The cost of supporting learners, for 'on programme' learning, is accrued over the duration of the learning programme. The achievement payment paid to providers for learners gaining the qualification is recognised when learners achieve the qualification.

Exceptional items

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

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.

learndirect Limited

Notes to financial statements (continued) **For the year ended 31 July 2013**

1. Accounting policies (continued)

Fixed assets (continued)

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.

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.

Stocks

Stocks are stated at the lower of cost and net realisable value, after making due allowance for promotional, obsolete and slow moving 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.

Leased and hire purchase contracts

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.

Notes to financial statements (continued)
For the year ended 31 July 2013

1. Accounting policies (continued)

Investments

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

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.

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.

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.

Deferred taxation

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

learndirect Limited

Notes to financial statements (continued) For the year ended 31 July 2013

2. Turnover

	2013	Continuing operations	2012	
	Total	operations	Discontinued	Total
	£'000	£'000	operations	£'000
			£'000	
Classroom and workplace	117,817	119,915	-	119,915
E-assessment	7,079	7,238	-	7,238
Other	1,788	739	-	739
UK Online centres	-	-	5,763	5,763
	<u>126,684</u>	<u>127,892</u>	<u>5,763</u>	<u>133,655</u>

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

The SFA announced in May 2011 that it was going to tender for the management of the UK online centres network. The Company took the decision that the UK online business was not aligned with the Company's strategy and so decided not to submit a bid. The SFA announced on 4 November 2011 the appointment of a new managing agent for the UK online operations. The Company successfully transferred the operations together with 31 employees on 30 November 2011. The results of this business up to 30 November 2011 for the year ended 31 July 2012 are shown under discontinued operations.

3. Cost of sales

	2013	Continuing operations	2012	
	Total	operations	Discontinued	Total
	£'000	£'000	operations	£'000
			£'000	
Cost of sales	<u>93,281</u>	<u>105,751</u>	<u>5,763</u>	<u>111,514</u>

4. Other operating income

	2013	2012
	£'000	£'000
Additional Classroom income	-	5,292
Release of deferred income	3,323	2,015
	<u>3,323</u>	<u>7,307</u>

Additional Classroom income was recognised in 2012 following the SFA's announcement in October 2012 that providers paid on profile for 2011-12, that have delivered between 90 per cent and 97 per cent of their contract value may retain a proportion of the shortfall.

Deferred income released during the year matches depreciation costs on assets acquired, which were financed from SFA funding in prior periods (note 20).

5. Administration expenses

Administration expenses include £nil (2012: £569,000) of redundancy costs.

learndirect Limited

Notes to financial statements (continued) For the year ended 31 July 2013

6. Exceptional administration expenses

	2013 £'000	2012 £'000
Exceptional administration expenses	2,878	2,038

Exceptional costs in the current year include redundancy costs of £64,000; compensation for loss of office of £457,000 (recharged by the parent company); 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 company, 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.

Exceptional costs in the prior year included redundancy costs arising from the sale of the Company of £329,000; compensation for loss of office of £398,000 (recharged by the parent company); costs incurred in tendering for the Department of Transport's Driving Standards Agency testing contract of £283,000 the size of which is not considered to be in the ordinary course of business and £1,028,000 of dilapidations provision which represented the expected future obligations relating to the maintenance of leasehold properties arising from events such as lease renewals or terminations.

7. Finance income (net)

	2013 £'000	2012 £'000
Interest payable and similar charges	(243)	-
Unwinding of discount on provisions	(9)	-
Interest receivable from bank deposits	283	524
Interest receivable from parent company	62	58
	93	582

8. Profit on ordinary activities before taxation

	2013 £'000	2012 £'000
Profit on ordinary activities before taxation is stated after charging / (crediting):		
Government grant deferred income release	(3,323)	(2,015)
Depreciation of tangible fixed assets	3,575	2,175
Amortisation of intangible fixed assets	2,026	-
Operating lease rentals:		
Land and buildings	615	696

learndirect Limited

Notes to financial statements (continued) **For the year ended 31 July 2013**

	2013 £'000	2012 £'000
8. Profit on ordinary activities before taxation (continued)		
The analysis of auditor's remuneration is as follows:		
Fees payable to the Company's auditor's for the audit of the Company's financial statements	26	26
Other services pursuant to legislation:		
Tax services	58	16
Corporate finance services	98	2
Total non-audit fees	156	18
9. Staff costs		
The average monthly number of employees (including executive directors) was:		
	2013 Number	2012 Number
Operations	288	290
Administration	105	104
	393	394
Their aggregate remuneration comprised:		
	2013 £'000	2012 £'000
Wages and salaries	14,973	15,266
Social security costs	1,375	1,256
Pension costs (see note 27)	1,031	1,000
Other staff costs	170	95
	17,549	17,617
Less:		
Capitalised own labour	(1,012)	(280)
	16,537	17,337

Included within staff costs is £64,000 (2012: £329,000) of redundancy costs and compensation for loss of office, £457,000 (2012: £398,000) which are shown as exceptional items.

learndirect Limited

Notes to financial statements (continued) For the year ended 31 July 2013

10. Directors' remuneration and transactions

	2013 £'000	2012 £'000
Directors' remuneration		
Emoluments	-	132
Company contributions to defined contribution scheme	-	4
	<u>-</u>	<u>136</u>

Directors salaries of £846,000 were paid by Pimco 2909 Limited for services provided by directors to learndirect Limited.

11. Tax on profit on ordinary activities

The tax charge comprises:

	2013 £'000	2012 £'000
UK corporation tax		
Current tax on profits for the year	2,436	2,540
Group relief paid for	1,350	853
Adjustment in respect of previous years	23	-
Total current tax	<u>3,809</u>	<u>3,393</u>
Deferred tax		
Origination and reversal of timing differences	110	29
Adjustment in respect of previous years	(4)	-
Impact of change in tax rate	(21)	-
Total deferred tax (see note 21)	<u>85</u>	<u>29</u>
Total tax on profit on ordinary activities	<u>3,894</u>	<u>3,422</u>

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:

	2013 £'000	2012 £'000
Profit on ordinary activities before tax	<u>16,497</u>	<u>13,589</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 23.67% (2012: 25.33%)	3,905	3,443
Effects of:		
Expenses not deductible for tax purposes	12	5
Capital allowances in excess of depreciation	(131)	(23)
Other timing differences	-	(32)
Adjustment in respect of prior years – corporation tax	23	-
Current tax charge for year	<u>3,809</u>	<u>3,393</u>

12. Dividends on equity shares

A final dividend of £52,500 per ordinary share (£5,250,000) for the year ended 31 July 2012 was declared and paid in the year to 31 July 2013 (2012: £nil).

learndirect Limited

Notes to financial statements (continued) For the year ended 31 July 2013

13. Fixed asset investments

	2013 £'000	2012 £'000
Subsidiary undertaking		
At 1 August,	-	-
Acquisition – JHP Group Limited (note 25)	36,479	-
Acquisition – TABS Training Limited (note 25)	6,151	-
Transferred to goodwill (note 25)	(32,843)	-
	<u>9,787</u>	<u>-</u>

Principal investments

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

Subsidiary undertakings	Country of incorporation	Principal activity	Class of holdings	%
Learndirect Centre Limited (formerly TABS Training Limited)	England	Education provider	Ordinary	100
JHP Group Limited	England	Dormant	Ordinary	100
Youngtwelve Limited	England	Dormant	Ordinary	100
JHP Learning Limited*	England	Dormant	Ordinary	100
JHP Training Limited*	England	Dormant	Ordinary	100

*held directly by JHP Group Limited

14. Intangible fixed assets

	Learning products £'000	Product licences £'000	Goodwill £'000	Total £'000
Cost				
At 1 August 2012	-	-	-	-
Transferred from prepayments	187	-	-	187
Transferred from fixed asset investments	-	-	32,843	32,843
Additions	1,181	2,120	-	3,301
At 31 July 2013	<u>1,368</u>	<u>2,120</u>	<u>32,843</u>	<u>36,331</u>
Amortisation				
At 1 August 2012	-	-	-	-
Charge for the year	94	1,932	-	2,026
At 31 July 2013	<u>94</u>	<u>1,932</u>	<u>-</u>	<u>2,026</u>
Net book value				
At 31 July 2013	<u>1,274</u>	<u>188</u>	<u>32,843</u>	<u>34,305</u>
At 31 July 2012	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Learning products includes assets under construction at 31 July 2013 of £1,181,000 (2012: £187,000 included in prepayments) which have not been depreciated at the balance sheet date.

learndirect Limited

Notes to financial statements (continued) For the year ended 31 July 2013

15. Tangible fixed assets

	Leasehold improvements £'000	Fixtures and fittings £'000	Computer Equipment and software £'000	Total £'000
Cost				
At 1 August 2012	1,334	1,044	22,375	24,753
Additions	-	2	3,015	3,017
Acquisition	231	201	992	1,424
At 31 July 2013	<u>1,565</u>	<u>1,247</u>	<u>26,382</u>	<u>29,194</u>
Depreciation				
At 1 August 2012	1,334	1,024	18,123	20,481
Charge for the year	-	20	3,555	3,575
At 31 July 2013	<u>1,334</u>	<u>1,044</u>	<u>21,678</u>	<u>24,056</u>
Net book value				
At 31 July 2013	<u>231</u>	<u>203</u>	<u>4,704</u>	<u>5,138</u>
At 31 July 2012	<u>-</u>	<u>20</u>	<u>4,252</u>	<u>4,272</u>

Computer equipment and software includes assets under construction at 31 July 2013 of £3,015,000 (2012: £534,000) which have not been depreciated at the balance sheet date.

16. Stocks

	2013 £'000	2012 £'000
Stocks	<u>-</u>	<u>8</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

17. Debtors

	2013 £'000	2012 £'000
Amounts falling due within one year:		
Deferred tax asset (note 21)	361	-
Trade debtors	17,403	939
Other debtors	35	36
Amounts owed by parent company	11,891	2,705
Prepayments	3,327	2,473
	<u>33,017</u>	<u>6,153</u>

Notes to financial statements (continued)
For the year ended 31 July 2013

18. Creditors – amounts falling due within one year

	2013	2012
	£'000	£'000
Trade creditors	6,172	1,617
Finance leases – due within one year	168	-
Amounts owed to service providers	11,113	10,415
Amounts owed to the SFA	4,521	3,542
Corporation tax	587	2,540
Group relief	1,531	853
Other taxation and social security	1,922	1,094
Other creditors	7,206	7,178
Amounts owed to group undertakings	42,613	-
Accruals and deferred income	6,683	1,801
Deferred income from government grants (note 20)	84	3,325
	<u>82,600</u>	<u>32,365</u>

19. Creditors – amounts falling due after more than one year

	2013	2012
	£'000	£'000
Other creditors		
Deferred income from government grants (note 20)	-	82
	<u>-</u>	<u>82</u>

20. 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.

	2013	2012
	£'000	£'000
At 1 August	3,407	5,400
Income received in year for capital assets (net of disposals)	-	22
Release to profit and loss account	(3,323)	(2,015)
	<u>84</u>	<u>3,407</u>
At 31 July	84	3,407
Represented by:		
Deferred income due in less than 1 year	84	3,325
Deferred income due in greater than 1 year	-	82
	<u>84</u>	<u>3,407</u>
At 31 July	84	3,407

learndirect Limited

Notes to financial statements (continued) For the year ended 31 July 2013

21. Provisions for liabilities

	Deferred consideration £'000	Deferred tax £'000	Dilapidation £'000	Total £'000
At 1 August 2012	-	29	1,028	1,057
Charged to profit and loss account	9	85	-	94
Transferred to debtors	-	361	-	361
Acquisition	662	(475)	1,261	1,448
	<u>671</u>	<u>-</u>	<u>2,289</u>	<u>2,960</u>
At 31 July 2013	<u>671</u>	<u>-</u>	<u>2,289</u>	<u>2,960</u>

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 during the year. The provision is expected to be utilised in the next five years.

The provision for deferred consideration is in respect of the acquisition of Learndirect Centres Limited (formerly TABS Training Limited), is payable in the next three years and is an estimate. The actual amount payable will depend on the profits of the acquired company in the two years to 31 July 2015 but is limited to a maximum of £780,000. The amount provided represents the maximum amount payable discounted at the Group's discount rate of 8%.

Deferred tax

	2013 £'000	2012 £'000
Movement on deferred taxation balance in the year		
Charge to the profit and loss account	85	29
Analysis of Deferred tax (asset) / liability		
Difference between capital allowances and depreciation	(313)	29
Other timing differences	(48)	-
	<u>(361)</u>	<u>29</u>

On 1 April 2013, the UK tax rate reduced from 24% to 23%. During the period future changes to the tax rate to 21% from 1 April 2014 and 20% from 1 April 2015 were announced. These were substantively enacted in July 2013 and as such, deferred tax has been recognised at 20%.

22. Called-up share capital

	2013 £	2012 £
Allotted	10,000	10,000
Called-up, issued and fully-paid		
Ordinary shares of £1 each	<u>100</u>	<u>100</u>

learndirect Limited

Notes to financial statements (continued) For the year ended 31 July 2013

23. Reserves

	Profit and loss account £'000
At 1 August 2012	11,199
Profit for the financial year after taxation	12,603
Dividends paid	(5,250)
At 31 July 2013	<u>18,552</u>

24. Reconciliation of movements in shareholder's funds

	2013 £'000	2012 £'000
Profit for the financial year	12,603	10,167
Dividends paid	(5,250)	-
Opening shareholder's funds	<u>11,199</u>	<u>1,032</u>
Closing shareholder's funds	<u>18,552</u>	<u>11,199</u>

learndirect Limited

Notes to financial statements (continued) **For the year ended 31 July 2013**

25. Acquisition of subsidiary undertakings

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

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.

Acquisitions are accounted for under the acquisition method.

The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the Company:

	Book value £'000	Adjustments £'000	Fair value to the Company £'000
Fixed assets			
Tangible	1,424	-	1,424
Current assets			
Debtors	9,044	-	9,044
Deferred taxation	475	-	475
Corporation tax	405	-	405
Cash	4,801	-	4,801
Total assets	16,149	-	16,149
Creditors			
Trade creditors and accruals	6,698	-	6,698
Amounts due to service providers	1,022	-	1,022
Amounts due to funding bodies	1,514	-	1,514
Other taxation and social security	1,620	-	1,620
Finance leases	168	-	168
Group relief	181	-	181
Amounts owed to group undertakings	49	-	49
Provision for liabilities	1,261	-	1,261
Total liabilities	12,513	-	12,513
Net assets acquired	3,636	-	3,636
Goodwill			32,843
Satisfied by intercompany creditor			36,479

learndirect Limited

Notes to financial statements (continued) For the year ended 31 July 2013

25. Subsidiary undertakings (continued)

On 31st May 2013 the company acquired 100 per cent of the issued share capital of TABS Training Limited for a cash consideration of £5,273,000 plus acquisition costs of £216,000. The fair value of the net assets on acquisition were £239,000.

Acquisitions are accounted for under the acquisition method.

The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the Group:

	Book value £'000	Adjustments £'000	Fair value to the Company £'000
Fixed assets			
Tangible	231	-	231
Current assets			
Debtors	2,155	-	2,155
Cash	446	-	446
Total assets	2,832	-	2,832
Creditors			
Trade creditors and accruals	330	-	330
Corporation tax	545	-	545
Deferred taxation	6	-	6
Other taxation and social security	137	-	137
Other creditors	733	-	733
Amounts owed to group undertakings	507	-	507
Provision for liabilities	335	-	335
Total liabilities	2,593	-	2,593
Net assets	239	-	239
Goodwill			5,912
			6,151
Satisfied by:			
Cash consideration			5,273
Cost of acquisition			216
Deferred consideration			662
Satisfied by intercompany creditor			6,151

learndirect Limited

Notes to financial statements (continued) For the year ended 31 July 2013

26. Financial commitments

Capital commitments are as follows:

	2013 £'000	2012 £'000
Contracted for but not provided for		
- other	658	115

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

	Equipment		Land and Buildings	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Expiry date				
- within one year	1	-	1,052	25
- between two and five years	202	-	935	314
- after five years	-	-	410	272
	203	-	2,397	611

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.

27. Retirement benefit schemes

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 at either 7% or 10% of an employee's basic salary if the employee contributes either 3.5% or 5% of their salary. During the year contributions under these schemes amounted to £1,011,000 (2012: £976,000).

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 £20,000 (2012: £20,000). Contributions were paid for 2 employees (2012: 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 £nil (2012: £4,000).

There are no outstanding or prepaid contributions to any of the pension schemes at the balance sheet date.

learndirect Limited

Notes to financial statements (continued) For the year ended 31 July 2013

28. Related party transactions

In accordance with Financial Reporting Standard No 8 "Related Party Disclosures" transactions between members of the Pimco (Holdings) Limited Group of Companies are not required to be disclosed.

29. Debenture

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

30. Ultimate parent company

On the 30 November 2012, the Company's parent company, Pimco 2909 Limited announced a merger with Hamsard 3191 Limited in a share exchange to create a new holding company, Pimco (Holdings) Limited.

The ultimate parent company 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 accounts of this group are available to the public and may be obtained from Dearing House, 1 Young Street, Sheffield, South Yorkshire, S1 4UP.