learndirect Limited

Report and Financial Statements

31 July 2015

Directors

G E Craven
R K Peace
D Wood
J R Chambers
T R Greenalgh
K C Hills
S M P Adcock

Auditor

Ernst & Young LLP
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Water Lane
Leeds
LS11 5QR

Bankers

Clydesdale Bank PLC
30 St Vincent Place
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Strategic report

Principal activity, review of the business and future developments

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

The company had a successful year despite difficult market conditions. Turnover from continuing operations of £171.3m represents a decrease of 4% compared to the prior year, reflecting SFA spending cuts. The company's profit before tax for the financial year is £2.9m (2014 - £3.0m) after charging exceptional items of £2.5m (2014 - £2.9m). The profit of £1.6m (2014 – £2.0m) has been transferred to reserves.

The company's earnings before interest, depreciation and amortisation (EBITDA) before exceptional items for the financial year is £14.9m (2014:£13.8m).

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

During the year, the Group incurred £2.5m in exceptional costs. The major items are:

- £2.1m restructuring costs, primarily comprising redundancy and related costs; and
- £0.3m of historic software costs.

In response to the SFA's Adult Skills funding cuts for both this year and next year, the Group had to look carefully at its cost base, this led to the restructuring of many of the Group's head office and support functions, and unfortunately this included a number of redundancies.

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.

On 28 September 2015 we exchanged contracts to sell the e-Assessment business unit to Pearson VUE. The sale of the business unit requires Competition and Markets Authority approval and is subject to the agreement of our existing customers. We expect the sale, following approval from the CMA and our customers, to complete during January 2016.

Principal risks and uncertainties

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

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

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

Key performance indicators

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

Strategic report

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.

Financial risk management objectives and policies

Credit risk

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

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

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

Liquidity risk

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

On behalf of the Board

R K Peace
Director
30 November 2015

Directors' report

The directors present their report and financial statements for the year ended 31 July 2015.

Results and dividends

The profit for the year after taxation amounted to £1.6m (2014 - £2.0m). The directors do not recommend a final dividend (2014 – £nil).

Certain items required to be disclosed in the directors' report have been disclosed within the Strategic Report on pages 2 and 3.

Dividend

The directors declared and paid an interim dividend of £nil (2014 - £15.0m). No final dividend has been paid or recommended in respect of the year ended 31 July 2015 (2014 - £nil)

Directors

The directors who served the company during the year and to the date of approval of the financial statements were as follows:

G E Craven
J R Chambers
R K Peace
D Wood
T R Greenalgh
A McMurray (resigned 28 May 2015)
W Beedle (resigned 6 August 2014)
S Jones (resigned 6 August 2014)
K C Hills (appointed 6 August 2014)
S M P Adcock (appointed 28 May 2015)

Directors' liabilities

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

Going concern

The company meets its day to day working capital requirements through its cash reserves (£5.0m at 31 July 2015). The financial statements have been prepared on a going concern basis. The company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report.

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

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

Strategic report

Employees

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

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

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

Disclosure of information to the auditor

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

On behalf of the Board

R K Peace
Director
30 November 2015

Statement of directors' responsibilities

The directors are responsible for preparing the annual report (incorporating the Strategic Report and the Directors' Report) and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Independent auditor's report

to the members of learndirect Limited

We have audited the financial statements of learndirect Limited for the year ended 31 July 2015 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 28. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditor's report

to the members of learndirect Limited

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

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

30 November 2015

Profit and loss account

for the year ended 31 July 2015

	Notes	2015 £000	2014 £000
Turnover	2	171,289	177,781
Cost of sales		(129,949)	(133,442)
Gross profit		41,340	44,339
Other operating income	3	-	84
Administrative expenses		(32,826)	(35,739)
Exceptional administration expenses	4	(2,456)	(2,945)
Operating profit	6	6,058	5,739
Finance charges (net)	5	(3,110)	(2,729)
Profit on ordinary activities before taxation		2,948	3,010
Tax on profit on ordinary activities	9	(1,320)	(967)
Profit for the financial year	21	1,628	2,043

All amounts relate to continuing activities.

Statement of total recognised gains and losses

for the year ended 31 July 2015

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £1,628,000 in the year ended 31 July 2015 (2014 - £2,043,000).

Balance sheet

at 31 July 2015

	Notes	2015 £000	2014 £000
Fixed assets			
Intangible assets	11	37,734	33,612
Tangible assets	12	10,488	7,771
Investments	13	6,491	9,401
		54,713	50,784
Current assets			
Debtors	14	33,367	47,840
Cash at bank and in hand		5,005	3,520
		38,372	51,360
Creditors: amounts falling due within one year	15	(35,401)	(93,818)
Net current assets/(liabilities)		2,971	(42,458)
Total assets less current liabilities		57,684	8,326
Provisions for liabilities	17	(2,660)	(2,731)
Creditors: amounts falling due after more than one year	18	(47,801)	-
Net assets		7,223	5,595
Capital and reserves			
Called up share capital	19	-	-
Profit and loss account	20	7,223	5,595
Shareholders' funds	21	7,223	5,595

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

R K Peace

Director

30 November 2015

Notes to the financial statements

at 31 July 2015

1. Accounting policies

Basis of preparation

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

Going concern

The company meets its day to day working capital requirements through its cash reserves (£5.0m at 31 July 2015). The financial statements have been prepared on a going concern basis. The company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report.

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

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

Group financial statements

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

Statement of cash flows

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

Goodwill

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

Turnover

The majority of the company's turnover during the year has been earned under a contract with the Skills Funding Agency (SFA) and the Department for Work and Pensions (DWP).

Workplace funding including apprenticeships

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.

Notes to the financial statements

at 31 July 2015

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.

Exceptional items

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

Intangible fixed assets

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

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

Tangible fixed assets

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

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

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

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

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

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.

Notes to the financial statements

at 31 July 2015

1. Accounting policies (continued)

Tangible fixed assets (continued)

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

Investments

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

Deferred taxation

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

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Leasing and hire purchase commitments

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

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

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

Pensions

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

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

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

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.

Notes to the financial statements

at 31 July 2015

1. Accounting policies (continued)

Pensions (continued)

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

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

Current tax

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

2. Turnover

	2015	*2014*
	£000	*£000*
Classroom and workplace	158,967	167,837
E-assessment	10,321	8,013
Other	1,891	1,931
International	110	-
	171,289	177,781

Turnover is stated exclusive of VAT.

3. Other operating income

	2015	*2014*
	£000	*£000*
Release of deferred income	-	84

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

4. Exceptional administration expenses

	2015	*2014*
	£000	*£000*
Exceptional administration expenses	2,456	2,945

Notes to the financial statements

at 31 July 2015

4. Exceptional administration expenses (continued)

Exceptional costs include £1,935,000 (2014 - £504,000) of restructuring / redundancy costs, £192,000 (2014 - £42,000) for compensation for loss of office for non-executive/executive directors, £52,000 of costs incurred in preparing to enter a new market and a final reconciliation of software licences of £277,000.

5. Finance charges (net)

	2015	*2014*
	£000	*£000*
Interest payable and similar charges	(3,112)	(2,770)
Unwinding of discount on provisions	(37)	(11)
Interest receivable from bank deposits	39	52
	(3,110)	(2,729)

6. Operating profit

This is stated after (crediting)/charging:

	2015	*2014*
	£000	*£000*
Government grant deferred income release	-	(84)
Depreciation of tangible fixed assets	3,109	1,522
Amortisation of intangible fixed assets	1,305	1,963
Amortisation of goodwill	1,936	1,651
Operating lease rentals – land and buildings	4,410	2,954
Operating lease rentals – other	291	398

The analysis of auditor's remuneration is as follows:

Fees payable to the company's auditor for the audit or company's financial statements	- Ernst & Young LLP	70	68
	- Deloitte LLP	-	18
Other services pursuant to legislation	- Ernst & Young LLP	21	15
Tax services	- Deloitte LLP	-	1
Corporate finance services		62	1
Total non-audit fees		83	17

Notes to the financial statements

at 31 July 2015

7. Directors' remuneration

	2015	*2014*
	£000	*£000*
Remuneration	339	526
Company contributions to defined contribution scheme	28	25
	367	551

8. Staff costs

	2015	*2014*
	£000	*£000*
Wages and salaries	50,844	46,620
Social security costs	5,321	5,320
Pension costs (see note 24)	1,693	1,659
Other staff costs	103	132
	57,961	53,731
Less:		
Capitalised own labour	(3,193)	(245)
	54,768	53,486

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

	No.	*No.*
Operations	1,685	1,405
Administration	444	379
	2,129	1,784

Included within staff costs is £1,838,000 (2014 – £938,000) of redundancy costs and compensation for loss of office of £192,000 (2014 – £42,000) which are shown as exceptional items.

Notes to the financial statements

at 31 July 2015

9. Tax on profit on ordinary activities

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2015	*2014*
	£000	*£000*
UK corporation tax		
Group relief paid for	1,162	932
Adjustment in respect of previous years	-	(98)
Total current tax	1,162	834
Deferred tax		
Origination and reversal of timing differences	158	137
Adjustment in respect of previous years	-	(4)
Total deferred tax (see note 9(c))	158	133
Total tax on profits on ordinary activities	1,320	967

(b) Factors affecting tax charge for the year

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

	2015	*2014*
	£000	*£000*
Profit on ordinary activities before tax	2,948	3,010
Profit on ordinary activities at standard UK corporation tax rate of 21% (2014 – 22.33%)	590	672
Effects of:		
Expenses not deductible for tax purposes	572	409
Capital allowances in excess of depreciation	-	(149)
Adjustment in respect of prior years – corporation tax	-	(98)
Current tax charge for year	1,162	834

Notes to the financial statements

at 31 July 2015

9. Tax on profit on ordinary activities (continued)

(c) Deferred tax

	2015	*2014*
	£000	*£000*
Movement on deferred taxation balance in the year		
At 31 July 2014	(228)	(361)
Charge to the profit and loss account	158	133
	(70)	(228)
Analysis of deferred tax asset		
Difference between capital allowances and depreciation	(70)	(206)
Other timing differences	-	(22)
	(70)	(228)

(d) Future tax charges

On 1 April 2015, the UK tax rate reduced from 21% to 20%. As this rate was substantively enacted at the balance sheet date, any deferred tax has been provided at 20%.

The 2015 Summer Finance Bill announced a reduction in the UK tax rate from 20% to 19% on 1 April 2017 and a further reduction to 18% on 1 April 2020. The Finance Bill was not substantively enacted at the balance sheet date.

10. Dividends

The directors declared and paid an interim dividend of £nil (2014 - £15,000,000). The directors do not recommend a final dividend (2014 – £nil).

Notes to the financial statements

at 31 July 2015

11. Intangible fixed assets

	Learning products *£000*	*Product licences* *£000*	*Goodwill* *£000*	*Total* *£000*
Cost:				
At 1 August 2014	1,794	4,017	33,441	39,252
Additions	2,495	749	1,209	4,453
Transfer from investments	-	-	2,910	2,910
Disposals	-	(2,120)	-	(2,120)
At 31 July 2015	4,289	2,646	37,560	44,495
Amortisation:				
At 1 August 2014	322	3,667	1,651	5,640
Charge for the year	321	984	1,936	3,241
Disposals	-	(2,120)	-	(2,120)
At 31 July 2015	643	2,531	3,587	6,761
Net book value:				
At 31 July 2015	3,646	115	33,973	37,734
At 31 July 2014	1,472	350	31,790	33,612

Learning products includes assets under construction at 31 July 2015 of £2,494,000 (2014 – £nil) which have not been depreciated at the balance sheet date.

Notes to the financial statements

at 31 July 2015

12. Tangible fixed assets

	Leasehold improvements £000	*Fixtures and fittings £000*	*Computer Equipment and software £000*	*Total £000*
Cost:				
At 1 August 2014	1,636	1,403	30,310	33,349
Additions	-	1,561	4,270	5,831
Disposal	(37)	(110)	(1,150)	(1,297)
At 31 July 2015	1,599	2,854	33,430	37,883
Depreciation:				
At 1 August 2014	1,478	1,158	22,942	25,578
Charge for the year	110	489	2,510	3,109
Disposals	(37)	(110)	(1,145)	(1,292)
At 31 July 2015	1,551	1,537	24,307	27,395
Net book value:				
At 31 July 2015	48	1,317	9,123	10,488
At 31 July 2014	158	245	7,368	7,771

Computer equipment and software includes assets under construction at 31 July 2015 of £2,837,000 (2014 - £3,054,000) which have not been depreciated at the balance sheet date.

Fixtures and fittings include assets under construction at 31 July 2015 of £9,000 (2014 - £24,000) which have not been depreciated at the balance sheet date.

13. Investments

	2015 £000	*2014 £000*
Subsidiary undertaking		
At 1 August	9,401	9,787
Deferred consideration adjustment – TABS Training Limited	-	(386)
Transferred to goodwill	(2,910)	-
	6,491	9,401

Notes to the financial statements

at 31 July 2015

13. Investments (continued)

Principal investments

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

	Country of incorporation	*Principal activity*	*Class of holdings*	*%*
Subsidiary undertaking				
Learndirect Centres Limited	England	Education provider	Ordinary	100
JHP Group Limited	England	Dormant	Ordinary	100

14. Debtors

	2015	*2014*
	£000	*£000*
Amounts falling due within one year:		
Deferred tax asset (note 10(c))	70	228
Trade debtors	15,414	14,116
Other debtors	246	148
Corporation tax	-	770
Amounts owed by parent undertaking	15,301	30,529
Prepayments	2,336	2,049
	33,367	47,840

15. Creditors: amounts falling due within one year

	2015	*2014*
	£000	*£000*
Trade creditors	7,065	4,685
Amounts owed to service providers	6,039	8,137
Amounts owed to funding bodies	3,703	3,074
Corporation tax	508	-
Group relief	-	1,078
Other taxation and social security	1,355	1,741
Other creditors	1,898	6,576
Amounts owed to group undertakings	11,096	63,923
Accruals and deferred income	3,737	4,604
	35,401	93,818

Notes to the financial statements

at 31 July 2015

16. 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.

	2015	*2014*
	£000	*£000*
At 1 August	-	84
Release to profit and loss account	-	(84)
At 31 July	-	-

17. Provisions for liabilities

	Deferred Consideration	*Dilapidation*	*Total*
	£000	*£000*	*£000*
At 1 August 2014	783	1,948	2,731
Charged to profit and loss account	40	68	108
Paid	(275)	-	(275)
Hive up of learndirect Centres Limited	-	343	343
Utilised in the year	-	(247)	(247)
At 31 July 2015	548	2,112	2,660

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

The provision for deferred consideration is in respect of the acquisition of the trade of Expedient Training Consultancy Limited.

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

18. Creditors: amounts falling due after more than one year

	2015	*2014*
	£000	*£000*
Amounts owed to group undertakings	42,730	-
Other creditors	5,071	-
	47,801	-

Notes to the financial statements

at 31 July 2015

19. Issued share capital

		2015		*2014*
	No.	*£*	*No.*	*£*
Allotted	10,000	10,000	10,000	10,000
Called-up, issued and fully-paid ordinary shares of £1 each	100	100	100	100

20. Movements on reserves

	Profit and loss account £000
At 1 August 2014	5,595
Profit for the financial year after taxation	1,628
At 31 July 2015	7,223

21. Reconciliation of shareholders' funds

	2015 £000	*2014 £000*
Opening shareholder's funds	5,595	18,552
Profit for the financial year	1,628	2,043
Dividends paid	-	(15,000)
Closing shareholder's funds	7,223	5,595

22. Acquisition of subsidiary undertakings

On 31 August 2014 the trade and assets of learndirect Centres Limited were hived-up into learndirect Limited. The consideration for the hive-up was £2,854,000. The fair value of the net assets on the hive-up was £2,854,000 and £2,910,000 was transferred to goodwill.

Acquisitions are accounted for under the acquisition method.

Notes to the financial statements

at 31 July 2015

23. Capital commitments

Capital commitments are as follows:

	2015 £000	2014 £000
Contracted for but not provided for		
– other	-	58

24. Pensions

Group stakeholder pension schemes

Contributions are paid to the defined contribution schemes and charged to the profit and loss account as they become payable. Contributions are paid by the company between 2% and 10% of an employee's basic salary if the employee contributes between 1% and 5% of their salary. During the year contributions under these schemes amounted to £1,682,000 (2014 - £1,575,000).

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 £11,000 (2014 – £21,000). Contributions were paid for 1 employee (2014 - 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.

Notes to the financial statements

at 31 July 2015

25. Other financial commitments

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

		Equipment		*Land and buildings*
	2015	*2014*	*2015*	*2014*
	£000	*£000*	*£000*	*£000*
Operating leases which expire:				
Within one year	16	43	1,000	921
In two to five years	193	185	1,780	353
	209	228	2,780	1,274

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

26. Related party transactions

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

27. Debenture

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

28. Ultimate parent undertaking and controlling party

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