Company Registration No. 03980770 (England and Wales)

LEARNDIRECT LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 28 APRIL 2018

COMPANY INFORMATION

Directors	W Janse Van Rensburg	(Appointed 23 June 2018)
	A R A Palmer	(Appointed 1 February 2017)
Company number	03980770	
Registered office	Dearing House 1 Young Street Sheffield S1 4UP	
Auditor	BHP LLP 2 Rutland Park Sheffield S10 2PD	

LEARNDIRECT LIMITED

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LEARNDIRECT LIMITED

STRATEGIC REPORT

FOR THE PERIOD ENDED 28 APRIL 2018

The directors present the strategic report for the period ended 28 April 2018.

Fair review of the business
For the 15 months to 28 April 2018, this has been a period of significance instability for the business primarily driven by the consequence of a poor Ofsted inspection of learndirect Limited, a reduction in adult education budget (AEB) funding and reduced performance by subcontractors following uncertainty around the business resulting from the Ofsted inspection.

The period started with learndirect Limited successfully delivering the remaining portion of the 17 ESF contracts that it had won in the previous period and also delivering on its existing AEB and Department for Work and Pensions (DWP) contracts. learndirect Limited was preparing to bid for the re-procured AEB contracts that were expected to be in place at the start of the funding year in August 2017. Given the history of reduced AEB funding the business was preparing to reduce costs in line with expected AEB contract allocation.

The e-assessment division of learndirect Limited also continued to deliver online assessment for the Home Office (Life in the UK) as well as skills tests for the Department for Education (DfE) and other commercial contracts.

In March 2017, learndirect Limited was inspected by Ofsted. This inspection resulted in a grade 4 (inadequate) being awarded to the company. The directors disagreed with the conduct of the inspection as well as the outcome, but despite a judicial review of the inspection, the conclusion of the Ofsted report was upheld.

The Ofsted inspection was focused all learning activities funded by the Education and Skills Funding Agency (ESFA) in learndirect Limited. The ESFA confirmed that it would not fund learndirect Limited for the provision of adult education, apprenticeships or advanced learner loans after the end of July 2018. It also confirmed that it would not allow learndirect Limited to continue with European Social Fund (ESF) delivery after the end of July 2018 but DWP contracts and the delivery of e-assessment provision for the Home Office and DfE were not affected.

Now aware that the majority of provision in learndirect Limited would be coming to an end, the Directors continued the programme of cost reduction. This was focused on aligning the staff numbers to the AEB allocation that had been awarded whilst at the same time taking every opportunity to reduce long term exposure to cost that was primarily concerned with ESFA funded delivery. This included shutting down delivery centres (and removing associated staff) and rationalising technology and other contracts which would not be required after the end of July 2018. learndirect Limited also looked to increase the number of non ESFA contracts that it held but this was challenged in light of the negative perception that was held externally of the company as a result of the inspection and the subsequent press reporting.

E-assessment provision ran close to forecast numbers during this period but the Directors were aware that the model (whereby the company did not own the test engine) meant that the long term sustainability of the division (especially without the support of some of the technology contracts that it required that were, in the main paid for by the Adult Education division of learndirect Limited) was questionable. The Directors agreed to look at both the acquisition of a test engine or the sale of the division to a company that operated a test engine.

Events Since the Balance Sheet Date
During the Spring of 2018, trading became more challenged. The Directors remained focused on 31st October 2018 being a critical date. By that time it was expected that, following the ending of ESFA contracts at 31st July 2018, the majority of learndirect Limited staff would have left the business and a skeleton team would be managing the (funded) closure of contracts and buildings associated with learndirect Limited.

During the Spring, trading in learndirect Limited relating to AEB contracts slowed due to existing sub-contractors either moving to new Prime providers (preparing for the expected demise of learndirect Limited) or focusing on their own Prime contracts that had been awarded in the Summer of 2017.

The Directors remained focused on ensuring the best experience for all learners and apprentices, managing the orderly wind down of learndirect Limited and protecting all creditors of the Group.

In the early Summer of 2018, the e-assessment division of learndirect Limited was sold to PSI (an existing partner of the division) with the associated staff and contracts moving to PSI and learndirect Limited providing a transitional service agreement for a three-month period.

Also in early Summer 2018, it became apparent to the Directors that the poor trading position meant that the likelihood of delivering an orderly wind down of learndirect Limited was becoming less likely so they initiated a process of sale (again focused on delivering the best outcome for learners, apprentices and staff). Significant interest was shown in the Group and also in the fellow subsidiary Learndirect Apprenticeships Limited. (subsequently renamed to Dearing Limited) (Dearing) The Directors favoured a sale of the Group due to the fact that interrelated finances between Dearing and learndirect Limited would have meant an immediate insolvency of learndirect Limited in the event of a sale of Dearing in isolation.

In June 2018 Pimco 2909 Limited and its subsidiaries learndirect Limited and Dearing were sold to Dimensions Training Solutions Limited (DTS) for a nominal fee. DTS had significant experience with the ESFA and the ESFA agreed that, at the point of sale, Advanced Learner Loans and ESF contract could novate to DTS. This meant that a significant number of staff associated with that provision would remain employed in the acquiring company. DTS also saw the opportunity to build the levy business of Dearing as well as utilise learndirect content and brands within its commercial business.

Events Since the Balance Sheet Date (con...)
Immediately following the sale of the Pimco 2909 Limited group,. a large number of Dearing senior managers resigned and joined a competitor organisation (which had previously undertaken significant due diligence with a view to acquiring the Pimco 2909 Limited group and then Dearing in isolation). Following this move and, following DTS undertaking significant discussion with employers who were engaged with Dearing, DTS sold the trade and assets of Dearing to PeoplePlus in July 2018.

In late Summer 2018, following the novation of Advanced Learner Loans and ESF contracts to DTS, (DWP contracts remain with learndirect Limited) the ESFA confirmed that for a number of ESF contracts, funding growth and extension of funding to the end of March 2019 had been awarded.

DTS has continued with the orderly wind down of the former learndirect Limited AEB business and has reduced the estate of Business Centres and associated staff and ended technology and other associated contracts.

Prior to the acquisition of the Pimco 2909 Limited group by DTS, learndirect Limited assigned its intercompany loan receivable due from Pimco (Holdings) Limited of £12.2m to Hamsard 3191 Limited in partial settlement of the £52.9m intercompany loan owed to Hamsard 3191 Limited.

Hamsard 3191 Limited released its remaining intercompany loan receivable of £40.7m due from learndirect Limited in consideration for the issue of two ordinary shares by learndirect Limited. Lloyds Development Capital (Holdings) Limited also advanced a shareholder loan of £4.3m to learndirect Limited.

Hamsard 3191 Limited sold the two ordinary shares it held in learndirect Limited to Pimco 2909 Limited for £2 (£1 per share). Pimco (Holdings) Limited's lender released its security over the shares in Pimco 2909 Limited.

Pimco (Holdings) Limited sold its shares in Pimco 2909 Limited to DTS for £1. Lloyds Development Capital (Holdings) Limited sold its £4.3m receivable due from learndirect Limited to DTS for £1.

As a result of the acquisition of the Pimco 2909 Limited group, and the above transactions, the loan of £52.6m in the balance sheet at 28 April 2018 was fully written off, leaving the DTS group now free of third party debt.

Description of Principal Risks and Uncertainties
The Directors consider that the principal risks and uncertainties currently are:

1. Reduced turnover and contracts. The loss of the AEB contract after 31 July 2018 and the sale of both the e-assessment division and Dearing Limited results in a smaller group with reduced turnover. A number of the ESF contracts that were extended have successfully novated across to DTS and these were completed by the end of March 2019. DTS has been awarded new ESF contracts in January 2019 for the period to July 2021, which will maintain the group's reduced turnover levels whilst it continues to bid for further contracts. The cost base of the group has also reduced to reflect the smaller size of the group.
2. Future performance. A number of factors make the prediction of income more difficult compared to previous years, these include:
    a. The performance on the novated ESF contracts until their completion;
    b. The performance on the new ESF contracts that started in April 2019;
    c. The development and growth of commercial income.

The Directors continue to manage day-to-day performance closely and are keeping cost levels under close review in order to be able to mitigate any shortfalls to expected operating income.

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 risks 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 Group's principal financial assets are bank balances and cash, trade and other receivables, and investments.
The Group'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 Group has no significant concentration of credit risk, as its largest customer is the ESFA, which is an agency of the Department for Education.

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

W Janse Van Rensburg
Director
30 April 2019

LEARNDIRECT LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 28 APRIL 2018

The directors present their annual report and financial statements for the period ended 28 April 2018.

Principal activities
The principal activity of the company continued to be the provision of apprenticeships and employment related training together with e-assessments.

Directors
The directors who held office during the period and up to the date of signature of the financial statements were as follows:

W Janse Van Rensburg	(Appointed 23 June 2018)
A R A Palmer	(Appointed 1 February 2017)
S M P Adcock	(Resigned 23 June 2018)
J R Chambers	(Resigned 10 April 2017)
G E Craven	(Resigned 1 August 2017)
J P Dewhirst	(Resigned 31 May 2017)
T R Greenhalgh	(Resigned 15 August 2017)
K C Hills	(Resigned 23 June 2018)
D Wood	(Resigned 1 August 2017)

Results and dividends
The results for the period are set out on page 9.

Disabled persons
Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement
The company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

There is no employee share scheme at present, but the directors are considering the introduction of such a scheme as a means of further encouraging the involvement of employees in the company's performance.

Auditor
BHP LLP were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of directors' responsibilities
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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Statement of disclosure to 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 of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

W Janse Van Rensburg
Director
30 April 2019

LEARNDIRECT LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LEARNDIRECT LIMITED

Opinion
We have audited the financial statements of Learndirect Limited (the 'company') for the period ended 28 April 2018 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:
- give a true and fair view of the state of the company's affairs as at 28 April 2018 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of our audit:
- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Philip Allsop (Senior Statutory Auditor)
for and on behalf of BHP LLP

1 May 2019

Chartered Accountants
Statutory Auditor

2 Rutland Park
Sheffield
S10 2PD

LEARNDIRECT LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 28 APRIL 2018

	Notes	Period ended 28 April 2018 £000	Period ended 31 January 2017 £000
Turnover	3	138,061	203,596
Cost of sales		(110,630)	(163,963)
Gross profit		27,431	39,633
Administrative expenses		(34,388)	(40,499)
Exceptional administrative expenses	4	(24,893)	(21,374)
Operating loss	5	(31,850)	(22,240)
Interest receivable and similar income	9	1	39
Interest payable and similar expenses	10	(4,737)	(5,149)
Loss before taxation		(36,586)	(27,350)
Tax on loss	11	-	884
Loss for the financial period		(36,586)	(26,466)

The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

LEARNDIRECT LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 28 APRIL 2018

	Period ended 28 April 2018 £000	Period ended 31 January 2017 £000
Loss for the period	(36,586)	(26,466)
Other comprehensive income	-	-
Total comprehensive income for the period	(36,586)	(26,466)

LEARNDIRECT LIMITED

BALANCE SHEET

AS AT 28 APRIL 2018

	Notes	2018		2017	
		£000	£000	£000	£000
Fixed assets					
Goodwill	13		-		18,331
Other intangible assets	13		1,249		4,656
Total intangible assets			1,249		22,987
Tangible assets	14		521		1,956
Investments	15		-		6,491
			1,770		31,434
Current assets					
Debtors	17	20,887		26,314	
Cash at bank and in hand		2,080		1,052	
		22,967		27,366	
Creditors: amounts falling due within one year	18	(78,677)		(23,593)	
Net current (liabilities)/assets			(55,710)		3,773
Total assets less current liabilities			(53,940)		35,207
Creditors: amounts falling due after more than one year	19		(608)		(53,121)
Provisions for liabilities	21		(1,792)		(1,840)
Net liabilities			(56,340)		(19,754)
Capital and reserves					
Profit and loss reserves			(56,340)		(19,754)

The financial statements were approved by the board of directors and authorised for issue on 30 April 2019 and are signed on its behalf by:

W Janse Van Rensburg
Director

Company Registration No. 03980770

LEARNDIRECT LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 28 APRIL 2018

	Profit and loss reserves £000
Balance at 1 August 2015	6,712
Period ended 31 January 2017:	
Loss and total comprehensive income for the period	(26,466)
Balance at 31 January 2017	(19,754)
Period ended 28 April 2018:	
Loss and total comprehensive income for the period	(36,586)
Balance at 28 April 2018	(56,340)

1 Accounting policies

Company information

Learndirect Limited is a private company limited by shares incorporated in England and Wales. The registered office is Dearing House, 1 Young Street, Sheffield, S1 4UP.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £000.

The financial statements have been prepared under the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Pimco 2909 Limited. These consolidated financial statements are available from its registered office, Dearing House, 1 Young Street, Sheffield, S1 4UP.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

1.2 Going concern

The balance sheet shows net liabilities of £56.3m, with this being largely financed by a loan of £52.2m. However, as explained in the strategic report, this was written off in June 2018. The directors are now managing the day-to-day performance very closely and by managing costs alongside securing new contracts, forecast that the company will be profit making in the near future. In light of this and with the support of the Stonebridge Colleges Group, the directors have a reasonable expectation at the time of approving the financial statements that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1 Accounting policies **(Continued)**

1.3 Reporting period

These financial statements are for the 15 month period ended 28 April 2018 and the comparative reporting period is the period ended 31 January 2017. As a result, the comparative amounts presented in the financial statements are not entirely comparable.

1.4 Turnover

The majority of the company's revenue during the period has been earned under contracts with the Education and Skills Funding Agency (ESFA) and the Department for Work and Pensions (DWP).

Employability

The company contracts with clients to assist them in gaining employment. Where this is classroom or modular based, funding is received over the duration of the programme. Where this funding is results based, income is recognised when payment milestones have been achieved.

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 recognised over the duration of the learning programme. The achievement payment is recognised when the learner achieves the qualification.

E-Assessment (Life in the UK and Standards Testing Agency)

Fee revenue is recognised 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 accrued income.

Annual licence arrangements

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

1.5 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 20 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

1 Accounting policies **(Continued)**

1.6 Intangible fixed assets other than goodwill

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

Third party licensed digital materials purchased in advance are carried as an intangible asset and amortised based on usage.

Software related development costs incurred through our own incremental labour costs arising directly from the development of the software that are directly attributable to bringing a computer system into use are treated as an intangible asset.

1.7 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	over the term of the lease
Fixtures and fittings	5 years straight line
Computers	2 to 6 years straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

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

1.8 Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.9 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1 Accounting policies **(Continued)**

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.10 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of three months or less.

1.11 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

1 Accounting policies **(Continued)**

Impairment of financial assets
Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities
Basic financial liabilities, including creditors and loans from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities
Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value though profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

1 Accounting policies **(Continued)**

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.12 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.14 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

1 Accounting policies **(Continued)**

1.15 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.16 Retirement benefits

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

- a group stakeholder pension scheme; 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 as an expense when they become payable and in accordance with the rules of the scheme.

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

1.17 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Development expenditure

Development expenditure is capitalised in accordance with the accounting policy. Initial capitalisation costs is based on management's judgement that technical and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

2 Judgements and key sources of estimation uncertainty (Continued)

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Goodwill and intangible assets

The company establishes a reliable estimate of the useful life of goodwill and intangible assets. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected usual life of the cash generating units to which goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Impairment of tangible and intangible assets including goodwill

Where there are indicators of impairment of individual assets, the company performs impairment tests based on fair value less costs to sell or a value in use calculation.

The fair value less costs to sell calculation is based on available data from binding sales transactions at an arm's length basis on similar assets or observable market prices less incremental costs for disposing of the asset.

The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget and estimates for the number of relevant years and do not include restructuring activities that the company is not yet committed to, or significant future investments that will enhance the performance of the cash generating units being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

3 Turnover and other revenue

	2018	2017
	£000	£000
Turnover analysed by class of business		
Classroom and workplace	124,782	186,615
E-assessments	12,053	14,181
Other	1,226	2,800
	138,061	203,596

	2018	2017
	£000	£000
Other significant revenue		
Interest income	1	39

4 Exceptional costs/(income)

	2018 £000	2017 £000
Impairment of group goodwill	16,017	12,855
Impairment of investments	6,491	-
Restructuring costs including redundancy and staff retention costs	5,128	1,673
Impairment of intangible assets	1,122	-
Recognition of ESFA income from a prior year	(5,071)	-
Onerous lease costs	684	-
Legal costs in relation to the Ofsted judicial review	222	-
Professional fees in relation to the sale of the E-assessment division	123	-
Professional fees in relation to R&D claim	67	-
Costs incurred due to aborted development of English language courseware	42	4,952
VAT reclaimed relating to previous periods - net of professional costs	68	(701)
Aborted disposal of e-assessment division	-	729
Bad debt provision against subcontract suppliers in liquidation	-	803
Net costs incurred due to the DVSA contract termination	-	226
Aborted disposal of the Apprenticeships division	-	1,081
Professional costs of refinancing	-	332
Release of deferred consideration	-	(576)
	24,893	21,374

5 Operating loss

Operating loss for the period is stated after charging/(crediting):	2018 £000	2017 £000
Depreciation of owned tangible fixed assets	1,573	2,593
Impairment of owned tangible fixed assets	-	465
Profit on disposal of tangible fixed assets	(1,607)	-
Amortisation of intangible assets	4,968	5,816
Impairment of intangible assets	17,139	24,236
Operating lease charges	3,739	4,429

6 Auditor's remuneration

Fees payable to the company's auditor and associates:	2018 £000	2017 £000
For audit services		
Audit of the financial statements of the company	26	154
For other services		
Taxation compliance services	-	77
Other taxation services	-	43
Services relating to corporate finance transactions	-	104
	-	224

7 Employees

The average monthly number of persons (including directors) employed by the company during the period was:

	2018 Number	2017 Number
Operations	1,465	1,689
Administration	200	303
	1,665	1,992

Their aggregate remuneration comprised:

	2018 £000	2017 £000
Wages and salaries	47,328	67,839
Social security costs	3,825	7,166
Pension costs	1,002	1,626
	52,155	76,631

Included within employee costs is £2,178,000 (2017: £437,000) of redundancy costs which are shown as exceptional items.

8 Directors' remuneration

	2018 £000	2017 £000
Remuneration for qualifying services	833	647
Company pension contributions to defined contribution schemes	55	31
Compensation for loss of office	-	31
	888	709

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2017 - 2).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2018 £000	2017 £000
Remuneration for qualifying services	350	264
Company pension contributions to defined contribution schemes	38	14

9 Interest receivable and similar income

	2018 £000	2017 £000
Interest income		
Interest on bank deposits	1	39

10 Interest payable and similar expenses

	2018 £000	2017 £000
Interest payable to group undertakings	4,737	5,121
Unwinding of discount on provisions	-	28
	4,737	5,149

11 Taxation

	2018 £000	2017 £000
Current tax		
Adjustments in respect of prior periods	-	(1,131)
Deferred tax		
Origination and reversal of timing differences	-	343
Adjustment in respect of prior periods	-	(96)
Total deferred tax	-	247
Total tax charge/(credit)	-	(884)

(Continued)

The actual charge/(credit) for the period can be reconciled to the expected credit for the period based on the profit or loss and the standard rate of tax as follows:

	2018 £000	2017 £000
Loss before taxation	(36,586)	(27,350)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2017: 20.00%)	(6,951)	(5,470)
Tax effect of expenses that are not deductible in determining taxable profit	6,951	3,593
Change in unrecognised deferred tax assets	-	2,364
Adjustments in respect of prior years	-	(1,227)
Group relief	-	(144)
Taxation charge/(credit) for the period	-	(884)

12 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

	Notes	2018 £000	2017 £000
In respect of:			
Goodwill	**13**	16,017	12,855
Intangible assets	**13**	1,122	11,381
Property, plant and equipment	**14**	-	465
Fixed asset investments	**15**	6,491	-

13 Intangible fixed assets

	Goodwill	Computer software	Product licences	Learning products	Total
	£000	£000	£000	£000	£000
Cost					
At 1 February 2017	37,560	31,191	3,402	6,004	78,157
Additions - separately acquired	-	334	561	-	895
Disposals	-	(1,974)	(3,669)	-	(5,643)
At 28 April 2018	37,560	29,551	294	6,004	73,409
Amortisation and impairment					
At 1 February 2017	19,229	27,227	3,309	5,404	55,169
Amortisation charged for the period	2,314	1,668	654	332	4,968
Impairment losses	16,017	1,122	-	-	17,139
Disposals	-	(1,447)	(3,669)	-	(5,116)
At 28 April 2018	37,560	28,570	294	5,736	72,160
Carrying amount					
At 28 April 2018	-	981	-	268	1,249
At 31 January 2017	18,331	3,964	93	599	22,987

More information on the impairment arising in the period is given in note 12.

14 Tangible fixed assets

	Leasehold improvements	Fixtures and fittings	Computers	Total
	£000	£000	£000	£000
Cost				
At 1 February 2017	1,599	3,356	9,094	14,049
Additions	39	18	196	253
Disposals	(1,571)	(2,325)	(3,115)	(7,011)
At 28 April 2018	67	1,049	6,175	7,291
Depreciation and impairment				
At 1 February 2017	1,595	2,205	8,293	12,093
Depreciation charged in the period	16	716	841	1,573
Eliminated in respect of disposals	(1,571)	(2,212)	(3,113)	(6,896)
At 28 April 2018	40	709	6,021	6,770
Carrying amount				
At 28 April 2018	27	340	154	521
At 31 January 2017	4	1,150	802	1,956

14 Tangible fixed assets **(Continued)**

More information on the impairment arising in the period is given in note 12.

15 Fixed asset investments

	Notes	2018 £000	2017 £000
Investments in subsidiaries	16	-	6,491

Movements in fixed asset investments

	Shares in group undertakings £000
Cost or valuation	
At 1 February 2017 & 28 April 2018	6,491
Impairment	
At 1 February 2017	-
Impairment losses	6,491
At 28 April 2018	6,491
Carrying amount	
At 28 April 2018	-
At 31 January 2017	6,491

16 Subsidiaries

Details of the company's subsidiaries at 28 April 2018 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct	% Held Indirect
Learndirect Centres Limited	England and Wales	Non-trading	Ordinary	100.00	
JHP Group Limited	England and Wales	Non-trading	Ordinary	100.00	

17 Debtors

Amounts falling due within one year:	**2018 £000**	**2017 £000**
Trade debtors	6,966	6,147
Amounts owed by group undertakings	11,994	17,586
Other debtors	422	1,011
Prepayments and accrued income	1,505	1,570
	20,887	26,314

18 Creditors: amounts falling due within one year

	Notes	**2018 £000**	**2017 £000**
Other borrowings	20	52,578	-
Amounts owed to funding bodies		2,375	1,668
Trade creditors		2,368	3,676
Amounts owed to service providers		3,095	21
Amounts due to group undertakings		11,108	11,109
Other taxation and social security		595	979
Other creditors		2,241	2,421
Accruals and deferred income		4,317	3,719
		78,677	23,593

19 Creditors: amounts falling due after more than one year

	Notes	**2018 £000**	**2017 £000**
Other borrowings	20	-	47,852
Other creditors		608	5,269
		608	53,121

20 Loans and overdrafts

	2018 £000	**2017 £000**
Loans from group undertakings	-	47,852
Loans from related parties	52,578	-
	52,578	47,852
Payable within one year	52,578	-
Payable after one year	-	47,852

20 Loans and overdrafts **(Continued)**

Prior to the acquisition of the Pimco 2909 Limited group by Dimensions Training Solutions Limited, the related parties loan was written off in June 2018. This is described in more detail in the Events since the Balance Sheet section of the Strategic report.

21 Provisions for liabilities

	2018 £000	2017 £000
Dilapidations	1,792	1,840

Movements on provisions:

	Dilapidations £000
At 1 February 2017	1,840
Utilisation of provision	(48)
At 28 April 2018	1,792

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.

22 Retirement benefit schemes

Defined contribution schemes	2018 £000	2017 £000
Charge to profit or loss in respect of defined contribution schemes	1,002	1,626

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.

23 Financial commitments, guarantees and contingent liabilities

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

24 Operating lease commitments

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018	2017
	£000	£000
Within one year	1,738	2,044
Between two and five years	544	3,396
In over five years	-	948
	2,282	6,388

25 Related party transactions

In accordance with FRS 102 section 33.1A, the company is not required to disclose transactions with members of the Pimco 2909 Limited group companies.

26 Controlling party

The ultimate parent undertaking is Pimco 2909 Limited, a company incorporated in England and Wales. The largest and smallest group in which the results of the company are consolidated is that headed by Pimco 2909 Limited. The consolidated financial statements of this group are available to the public and may be obtained from Dearing House, 1 Young Street, Sheffield, S1 4UP.