

Registered Number : 6434555

WOODSPEEN TRAINING PLC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

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CHAIRMAN'S STATEMENT

I am pleased to enclose the audited financial statements of the Company for the year ended 31 March 2011.

The Group made an operating profit before amortisation on acquired intangible assets and exceptional items for the year under review, of £867,328 as against £801,557 in the previous year. This is a pleasing performance in what has been a year of economic uncertainty as well as significant Government policy changes.

However, for the reasons outlined below, it has been considered prudent to make an exceptional impairment charge against the carrying value of goodwill of £1.95m and, as a consequence of this, the Group is reporting a pre interest and tax loss for the year of £1,256,818 (2010: profit £640,987).

The Group is almost entirely dependent on Government funding for its various programmes and, therefore, its future prospects are substantially dictated by changes in Government policy.

Over the last 12 months the new Coalition Government has reviewed the previous Government's policies and made a number of changes, the most significant of which is the replacement of "New Deal" employment programmes with the "Work Programme". Following a strategic review during the year, carried out under the leadership of the Chief Executive, the Group will cease its involvement with employment programmes and this has led to an impairment charge against the carrying value of goodwill of £1.55m relating to this activity.

Performance from S&S Training Services Ltd, in its first full year since acquisition in February 2010, has been disappointing. The original growth projections made at the time of acquisition and which were required to support the carrying value of goodwill, have not materialised and this has resulted in an impairment of goodwill of £0.4m relating to this acquisition.

During the year the Company successfully raised additional equity capital and at the year end had cash resources of £3.76m (2010: £0.69m).

The changes in how Government funding is deployed within the vocational training sector are causing considerable disruption to businesses operating within it and this may have an adverse impact on our performance in the short term. However, we believe that with our strong balance sheet and a committed management team led by an exceptionally able and experienced Chief Executive, we are well positioned not only to navigate the Group through this difficult period, but also to capitalise on the consolidation opportunities that are likely to present themselves in the sectors in which we operate. The Chief Executive's Report sets out in more detail the programmes that the Group operates, how they are affected by changes in Government policy and our strategy going forward.

I would like to conclude by encouraging you to attend the AGM on Monday 25 July when, after the formalities have been completed, the Chief Executive will make a presentation of his report and the Board will be delighted to answer any questions you might wish to ask.

Charles Prior
Chairman

27 June 2011

CHIEF EXECUTIVE'S REPORT

I enclose my report on Woodspeen Training plc's ('Woodspeen' or 'the Group') results for the year ended 31 March 2011, my first since joining as Chief Executive in May 2010.

Business Overview

Woodspeen delivers vocational and skills training programmes to young learners (primarily learners in the 16-18 year old age groups) and to adults (aged 19 and above). Over 95% of the Group's turnover derives from Government, through funding agencies of the Department of Business, Innovation and Skills (DBIS), the Department for Education (DfE) and the Department for Work and Pensions (DWP). The Group delivers programmes including pre-apprenticeship, apprenticeship, Skills for Life and New Deal. These are delivered through the Group's subsidiaries located in West Yorkshire and on the South Coast.

Government policy towards funding for training impacts directly on the Group's success.

Performance for the year

The current year's figures reflect the impact of a full year's contribution from the Group's three operating subsidiaries held at the year end (comparative figures include eleven months trading results from A&R Training Services Limited, "A&R", acquired May 2009, and two month's trading results from S&S Training Services Limited, "S&S", acquired February 2010) and the impact of the impairment charge against the carrying value of goodwill.

Woodspeen delivered an operating profit before amortisation on acquired intangible assets and exceptional items of £867,328 (2010 : £801,557).

The Group incurred exceptional costs of £1.95m for the year relating to impairment of goodwill. Of this amount, £1.55m reflects the cessation of New Deal programmes (part of Skills Training). The balance, £0.4m, reflects the impairment charge against the carrying value of goodwill in Vocational Training, following a disappointing performance by S&S since acquisition, in February 2010.

Group Performance	Year to 31 March 2011		Year to 31 March 2010	
	Revenue £	Operating Profit/ (Loss) £	Revenue £	Operating Profit/ (Loss) £
Vocational Training	3,262,538	372,013	2,793,085	294,522
Skills Training	2,449,045	786,662	2,314,972	678,776
Total for segments	5,711,583	1,158,675	5,108,057	973,298
Group items:				
Unallocated central costs		(291,347)		(171,741)
Operating profit before amortisation and goodwill impairment		867,328		801,557
Amortisation charge on acquired intangible assets		(174,146)		(160,570)
Impairment of goodwill		(1,950,000)		-
Total for Group	5,711,583	(1,256,818)	5,108,057	640,987

CHIEF EXECUTIVE'S REPORT

Cessation of New Deal

As stated in my interim report to you last year, the Coalition Government announced that it would end New Deal and replace it with a new initiative, referred to as the 'Work Programme'. I stated at the time that Woodspeen would consider carefully details of the successor programme to determine the level of future engagement in the Welfare to Work agenda. It has become clear over recent months that the operating and financial models that underpin the Work Programme differ significantly from New Deal. Whereas, under the New Deal programme, providers were remunerated for providing training and support to (cohorts of) unemployed learners throughout the duration of the programme, the Work Programme is 'end loaded' with significant performance payments tied to getting unemployed people into jobs and ensuring sustainability in employment. In the Board's view to pursue engagement with the Work Programme would result in significant upfront costs whilst creating considerable uncertainty over the timing and extent of future returns for the business. In addition, given the Group's relative scale and expertise as a subcontractor in the Welfare to Work sector, we would require additional investment in specialist capability. Given these uncertainties Woodspeen has no plans to participate directly in the Work Programme. This has resulted in an exceptional charge of £1.55m for impairment of goodwill in the current year.

Performance of S&S

The Group made an exceptional charge of £0.4m for impairment of goodwill that arose on the acquisition of S&S. This impairment reflects lower than anticipated future returns from the S&S business, which delivers IT apprenticeship training in Huddersfield, West Yorkshire. At the time of acquisition, in February 2010, the Board expected that S&S's established local brand coupled with its expertise in delivering apprenticeship training would deliver opportunities for expansion throughout Woodspeen's network. Disappointingly, following this first full year post acquisition, it is clear that S&S's brand has limited geographical reach and the original growth projections, required to support the carrying value of goodwill, have not materialised.

As a result of the exceptional charges, the Group delivered a loss before interest and tax of £1,256,818 for the year (2010: profit £640,987).

Segmental Analysis

Group performance is monitored and managed through two reporting segments, Vocational Training and Skills Training. Each segment carries its own risk profile.

Segmental performance during the year has been impacted by lower employment opportunities and increasing unemployment in the economy together with the effects of changes in Government policy.

Vocational Training

The Vocational Training segment comprises the delivery of training programmes (pre-apprenticeship and apprenticeship) to school leavers entering employment and to adults already in employment.

Apprenticeship training programmes are funded through annually renewable direct contracts held with the Skills Funding Agency (a DBIS agency). Funding for pre-apprenticeship programmes is through subcontracts held with local colleges, which receive funding through the Young People's Learning Agency (a DfE agency).

The Group's core occupational expertise is in training and assessment to learners apprenticed (i.e. employed) in the care sectors. An apprentice will typically enrol on a programme through their employer and work towards obtaining a formal apprenticeship qualification comprising technical training, functional skills

CHIEF EXECUTIVE'S REPORT

and 'on the job' assessment, services provided by Woodspeen on behalf of the employer. Importantly, for the young learner not already in a job, Woodspeen will actively provide employment support to match the learner with a suitable employment vacancy or 'place' the learner with a potential future employer, through its well established links with local employers. Demand from employers for apprentices is critical to the prosperity of the Group.

The Group reported a 17% increase in turnover in the Vocational Training division for the year, from £2.79m to £3.26m.

Revenue made up of:	Year to 31 March	
	2011	2010*
	£	£
Apprenticeship	2,652,382	2,328,648
Pre-apprenticeship	600,207	464,437
	3,252,589	2,793,085
Other	9,949	-
	3,262,538	2,793,085
Segment profit	372,013	294,522
Segment margin	11.4%	10.5%

*The operating segments for the comparative year to 31 March 2010 have been restated to be consistent with the operating segments reported upon for the year to 31 March 2011.

Growth in turnover is attributable to full year effects following the acquisition of A&R (acquired May 2009) and S&S (acquired February 2010). This, together with improved cost control during the second half of the year, has delivered an improvement in full year margin. Excluding the impact of full year effects, revenues generated from delivery of apprenticeship programmes have been broadly flat against last year. Whilst the Group achieved an increase in total learner starts over the year, performance was held back due to a slowdown in starts in the 16-18 apprenticeship age groups, where Government funding is highest and most secure, particularly during the second half of the year.

Apprenticeship Starts by age group	Year to 31 March	
	2011	2010
	Number	Number
1st Half Year (April – September)		
16 – 18 (Young Learner)	125	139
19 + (Adult Learner)	117	50
2nd Half Year (October - March)		
16 – 18	111	180
19 +	190	149
Total 16-18	236	319
Total 19 +	307	199
Total Apprenticeship Starts	543	518

CHIEF EXECUTIVE'S REPORT

A combination of factors has contributed to the decline in 16-18 starts.

The removal of Educational Maintenance Allowance (EMA) for young learners (16-18 age groups), from January 2011, has made more challenging the recruitment of suitable candidates onto our programmes. Many young learners relied on EMA and its withdrawal has had a detrimental effect on volumes. This has affected the supply of learners joining both pre-apprenticeship and apprenticeship programmes.

Changes to eligibility for young learners entitled to commence apprenticeship programmes effected during the year have had a negative impact on performance during the year. Prior to the change, a young learner unable to gain employment as an apprentice 'on day 1' was nevertheless able to commence an apprenticeship training programme through a training provider and without securing a contract of employment, under a training scheme known as "Programme Led". This scheme enabled the 'unemployed' learner to gain technical training in the classroom whilst also providing the learner with a valuable opportunity for exposure to practical skills. Practical skills experience, obtained through placement with a potential employer, is a core element of the apprenticeship. The securing of suitable placements for learners is an important service provided by Woodspeen and, together with many providers in the sector, plays a valuable role in helping to address the UK's significant, growing challenge of "NEETs" (those not in employment, education or training). Regrettably this scheme is scheduled to wind down by the end of the current funding year, in July 2011. Whilst a replacement scheme is expected, full details are not yet available. As it stands therefore, with effect from 1 August 2011 learners may not commence a programme of apprenticeship training until they have a contract of employment. This change, at a time of lower employment opportunity for young learners, has impacted adversely the volume of 16-18 learner starts joining our programmes.

Your board believes that retaining its focus on the 16-18 age groups is a matter of strategic importance with Government funding for apprenticeships in employment guaranteed for young learners, as a minimum, for the lifetime of this Parliament. As we anticipate employment opportunities to remain challenging in the short term, Woodspeen will invest its own financial resources into supporting young learners, where necessary, to help them into vocational employment. This strategy will help Woodspeen to maintain a secure foundation for longer term growth of 16-18 learners but may result in a significant cost to the Group in 2011/12. We anticipate costs will reduce as the economy recovers and a suitable replacement programme is introduced.

Growth in the Group's adult apprenticeship starts has been positive. Additional funding for adult apprenticeships, announced by Government over recent months, has provided the Group with opportunities for growth. Further funding is clearly positive news for the sector and your Board welcomes both the continued and absolute increases in available funding, albeit at lower rates, to deliver training to this age group. The Group continues to develop its capability and offer to this age group, as part of a package of programme delivery to local employers. We will continue to seek out further opportunities for delivery of adult apprenticeships, where profitable.

Skills Training

The Skills Training segment encompasses basic skills (often referred to as Skills for Life) programmes and employment programmes. Funding for Skills for Life programmes is through an annually renewable contract held with the University for Industry (Ufi), itself a direct contract holder with the SFA. The Group also held a subcontract for delivery of the New Deal programme in West Yorkshire during the year.

Woodspeen's basic skills programmes are typically of short duration (4-8 weeks) and are predominantly delivered to unemployed learners. Many learners, for whatever reason, did not obtain basic numeracy,

CHIEF EXECUTIVE'S REPORT

literacy and IT skills first time round but recognise the need or requirement to improve their skills to re-join the workforce.

Woodspeen's employment programmes are of longer duration (up to 26 weeks) and involve training and support to the unemployed to assist them to re-enter the labour market. The Group's most significant programme, New Deal, has been delivered in Yorkshire through a subcontract arrangement with a large private provider for a number of years. As stated earlier, it has been confirmed by the Coalition Government that New Deal will come to an end shortly after the year end, around June 2011.

The Skills division delivered strong revenue growth (16% - see note below), with a 2.8% margin improvement for the year.

Revenue made up of:	Year to 31 March	
	2011	2010*
	£	£
Basic skills programmes **	1,167,986	1,317,038
Employment programmes	1,203,318	950,594
	2,371,304	2,267,632
Other	77,741	47,340
	2,449,045	2,314,972
Segment profit	786,662	678,776
Segment margin	32.1%	29.3%

*The operating segments for the comparative year to 31 March 2010 have been restated to be consistent with the operating segments reported upon for the year to 31 March 2011.

** From August 2010 LearnDirect ceased to charge providers a management fee for use of the Ufi's on-line testing system. At the same time additional funding from LearnDirect, equal to the management charge, also ceased. Turnover for the year included £82,000 (2010 - £279,000) of additional funding. Turnover, excluding additional funding, is £1,086,000 (2010 £1,038,000).

Revenue from basic skills programmes, on a like for like basis, grew 5% over the year. These programmes are delivered through subcontract, currently at regional level, with the University for Industry (Ufi) on behalf of Government. Contracts are awarded annually with targets set and monitored centrally by Ufi. Programmes, badged as LearnDirect, focus on the delivery of Skills for Life.

The Government has committed to continuing its support of the Skills Agenda. The Skills Strategy, published last autumn, explicitly sets out the Government's commitment to 'giving adults who do not yet have functional levels of literacy and numeracy a second chance'. At the same time the Government's agenda, of requiring 'more for less', has led to a rationalisation of the existing Ufi supplier network. This follows plans announced earlier this year to privatise Ufi. In this regard I am delighted to confirm that the Group, with its proven track record of successful delivery, was notified on 10 June 2011 of its contract renewal for the year ahead.

Continued success requires a high volume, execution driven capability, with a sharp focus on delivering in locations that offer sustainable margin opportunities and your Board remains cautious but optimistic about continued delivery of basic skills programmes as an integral part of its future growth strategy.

CHIEF EXECUTIVE'S REPORT

Performance in the soon to cease New Deal programme was exceptionally good for the year reflecting increasing unemployment in the UK. Growth from employment programmes during the final full year of this programme was exceptional with a 26% increase in revenue over the previous year. The rate of growth accelerated during the second half of the year as delays to the roll out of the Work Programme provided a catalyst for the referral of unemployed learners onto New Deal programmes. As explained above, given the uncertainties, Woodspeen has no plans to participate directly in the Work Programme.

Sector consolidation

The Group faces challenges ahead but believes significant opportunities exist from sector consolidation over the medium term. In my interim statement to you last year I highlighted the planned introduction of a minimum contract level (MCL) across the sector. The Skills Funding Agency (SFA) will introduce the MCL at a level of £0.5m, from 1 August 2011, with the prospect of further increases in future. The MCL level will help to drive consolidation in the sector and your Board has been undertaking considerable groundwork to develop and maintain a regular dialogue with a number of providers who may in future join the Woodspeen Group.

In this regard, shortly after the year end on 6 April, 2011, the Group acquired the entire share capital of BDTS Limited, a West Yorkshire based provider of vocational training programmes. This business is complementary to our existing vocational activities and I am pleased to report that progress towards integrating the business is proceeding to plan. The Group had sufficient cash to finance this acquisition through existing resources. Full details of this acquisition are set out in note 23.

Woodspeen's capacity to finance acquisitions has been enhanced during the year, through the raising of £2.57m, net of expenses, following placings of new shares, completed between December 2010 and February 2011. Including new finance raised, the Group held cash resources of £3.76m at the year end.

Outlook

Your Board acknowledges that decisions taken during the year, to cease direct engagement with future employment programmes and to invest its own resources into young learners, may have an adverse impact on the performance of the Group over the short to medium term. However your board anticipates that further consolidation activity will go some way to mitigate this impact.

These actions will help secure the financial stability of the business and the Group has significant cash resources to make further acquisitions, to support future growth.

Government funding through annually renewable contracts awarded on an academic year basis, (from 1 August to 31 July) will continue to represent the Group's principal sources of funding going forward. To improve our readiness to respond to contract changes, Woodspeen will align its reporting year end to the academic year (31 July) from next year.

As a training provider funded by Government, Woodspeen has positioned itself in those areas of training where funding is most resilient and in sectors that are in the process of consolidation. As a result your Board believes the business is well placed to exploit future opportunities as and when they arise.

Si Hussain
Chief Executive

27 June 2011

DIRECTORS' REPORT

The Directors submit their annual report and the audited financial statements of the Group and Company for the year ended 31 March 2011.

Results and dividends

The Group's pre-tax profit for the year before amortisation of acquired intangible assets of £174,146 (2010 - £160,570) and impairment of goodwill of £1,950,000 (2010 - £nil) amounted to £860,257 (2010 - £780,130).

Reported pre-tax loss for the year amounted to £1,263,889 (2010 – profit £619,560) and reported loss after tax for the year was £1,458,178 (2010 – profit £427,388).

The Directors do not recommend the payment of a dividend for the year ended 31 March 2011.

Principal activities

The principal activity of the Group is government sponsored vocational and skills training, assessment and related services.

The Group only operates within the United Kingdom.

Business and financial review

During the year, the Board reviewed and revised the reporting segments to appropriately reflect the Group's activities and the basis upon which performance and investment decisions are made. The Board considers the Group's business through two reporting segments based on principal activity: Vocational Training (Apprenticeships, Foundation Learning and other vocational training programmes) and Skills Training (Skills for Life, New Deal and other employability training programmes).

The operating segments for the comparative year to 31 March 2010 have been restated to be consistent with the operating segments reported upon for the year to 31 March 2011.

This report should be read in conjunction with the Chief Executive's report on pages 2 to 7 which provides details of the Group's trading during the period and an assessment of the Group's future prospects.

Between December 2010 and February 2011 the Company raised a total of £2.57 million, net of expenses, through placings of shares.

Finance expense

Interest expense of £9,148 (2010 - £21,560) includes £9,148 (2010 - £21,456) of interest on loan notes issued on the acquisition of A&R Training Services Limited and S&S Training Services Limited.

Tax expense

The tax charge for the year was £194,289 (2010 - £192,172). The effective rate of tax for the year, excluding the impairment of goodwill, was 28.3% (2010 - 31.0%), which is marginally higher than the UK standard rate of corporation tax (28%).

Key performance indicators

The Group has in place a number of key performance indicators, both financial and non-financial, which aid the management of the Group's business and allow the Board to review performance at both Group and operating subsidiary level. The key performance indicators monitored by management continue to be developed and, where appropriate, refined to provide relevant and timely metrics to support delivery of Group strategy.

The quantity and quality of management information produced by operating units have been substantially improved and continues to improve since their acquisition by the Company.

The key financial performance indicators are: revenue growth; gross profit; gross profit margin; operating profit before amortisation of intangibles acquired on business combinations and exceptional items; earnings per share growth; and net cash generated by operating activities.

Given the early stage of the Group's development, some key performance indicators are of more significance than others.

	2011	2010
Group revenue (£)	5,711,583	5,108,057
Annual revenue growth	11.8%	
Gross profit margin	38.6%	42.0%
Basic earnings per share	(6.14)p	2.19p
Adjusted basic earnings per share	2.58p	2.78p

DIRECTORS' REPORT

Earnings per share growth

Adjusted earnings per share before amortisation of intangibles acquired on business combinations and impairment of goodwill decreased to 2.58p from 2.78p on adjusted earnings of £613,112 (2010 - £545,137).

Net cash generated by operating activities

The net cash generated by operations was £1,218,006 (2010 - £1,036,091) on operating profits, before amortisation of intangible assets acquired on business combinations and impairment of goodwill, of £867,328 (2010 - £801,557).

The Group's cash generation remains strong and at 31 March 2011, the Group had in excess of £3.7 million in cash earning very little in the way of interest income due to the low bank base rate.

Key risks and uncertainties

The Group is dependent on government funding for substantially all of its programmes. Whilst it is expected that the majority of the Group's programmes, especially those that concentrate on helping young people obtain employment, will continue to be supported by the Coalition Government the Group remains mindful that changes might be made which could adversely affect the Group.

Government policy or practice in providing funds for vocational training may change. The Group, as with other companies in the sector, is affected by the impact of the Comprehensive Spending review including: the reduction of funding rates for some programmes or the expectation that employers will contribute a proportion of the cost in future years; the cessation of Train 2 Gain; and reform of the Welfare to Work agenda.

The profitability of the Group is dependent upon the continuation of a favourable regulatory climate with respect to its activities. Failing to obtain or to continue to comply with all necessary legislation and regulations could adversely affect the Group's performance.

The Group maintains relationships with the relevant regulatory and funding bodies on an ongoing basis to ensure maximum visibility regarding developments and changes to the basis of government funding and the regulatory environment so that it can plan accordingly.

The Group seeks to reduce over reliance on particular training programmes through programme and funding body diversification.

A fall in the standard of delivery, record keeping or reporting could adversely affect contracts held with funding bodies or the awarding bodies which would in turn directly impact on the financial performance of the Group. A fall in the standard of internal quality controls could result in a poor inspection grading and a clawback of funding.

The Group maintains strong internal processes and procedures to minimise these risks.

Share capital

Details of the authorised and issued share capital of the Company, including movements in the period, are set out in note 18 to the financial statements.

Directors and directors' interests

The directors who served during the year and their beneficial interests in the shares of the Company as recorded in the register of Directors' interests at 31 March 2011 are as follows:

	Ordinary Shares	
	Number	%age share-holding
Executive		
Lynn Chandler	987,400	2.80%
Si Hussain	150,000	0.43%
Non-Executive		
Compton Hellyer	306,456	0.87%
Charles Prior	5,000,000	14.17%

On 17 May 2010 Si Hussain was appointed a director of the Company.

Brief biographies of the directors are given after the Directors' Report.

DIRECTORS' REPORT

The directors' interests in share options are as follows:

	Ordinary Shares	
	Number	Price
Executive		
Si Hussain	2,000,000	15p

Substantial shareholdings

As at 23 June 2011, shareholdings of 3% or more of the shares in the Company notified to the Company are as follows:

	Ordinary shares Number	%age share-holding
Directors (as stated above)	6,443,856	18.01%
Evolve Capital LLP	3,000,000	8.38%
Octopus Investment Nominees	3,333,000	9.3%
YFM Private Equity	1,388,500	3.9%

Insurance

As permitted by the Companies Act 2006, the Company maintains insurance cover for all Directors and Officers of the Company against liabilities which may be incurred by them whilst acting in those capacities.

Political and charitable donations

During the period, the Group made no political or charitable donations.

Corporate governance

The Board has put in place a framework for Corporate Governance which it believes is appropriate to the Company. The Board is committed to maintaining high standards of corporate governance, but is not required to comply with all aspects of the principles of Good Governance and the Code of Best Practice prepared by the Committee on Corporate Governance. The following statement describes how the Board has applied the Principles of Corporate Governance.

The Board

At 31 March 2011, the Board comprised two executive directors and two non-executive directors. The two non-executive directors are the Chairman and an independent non-executive director.

At this early stage in the development of the Company's strategy the Board believes it to be premature to appoint further directors. Further executive and non-executive appointments will be made, as required, as the Company matures and makes further acquisitions.

All directors are subject to re-election by rotation, one-third of their number each year and their re-election is subject to shareholder approval. All newly appointed directors stand for re-election at the Annual General Meeting following their appointment.

The Chairman and Finance Director have service contracts with the Company which are terminable by either party on three months' notice.

The Chief Executive has a service contract with the Company which is terminable by either party on six months notice.

The independent non-executive director has a service contract with the Company for a three year period commencing on 1 June 2009 which is subject to termination at any time by either party giving not less than three months' notice. The Company may also terminate the service contract immediately upon payment of a fee equivalent to three months' notice.

The Board meets regularly throughout the year to discuss issues including strategy, annual budgets, the rolling financial forecast, general treasury and risk management policies.

There is an established procedure whereby directors, in furtherance of their duties, may take independent professional advice at the expense of the Company.

The Remuneration Committee is chaired by the independent non-executive director and comprises both non-executive directors. The Remuneration Committee approves any changes to the remuneration of the directors, including approval of the service contracts for any new directors, and the approval of any share options granted.

DIRECTORS' REPORT

The Audit Committee, chaired by the Chairman and comprising both non-executive directors was established in May 2010. The responsibilities of the Audit Committee include review of the Interim and Annual Statements; approval of significant changes in accounting policies and monitors the independence, objectivity and effectiveness of the external auditor.

As all Board appointments are formally considered by the Board, the Board considers that there is no need for a Nominations Committee.

Internal Control

The Board acknowledges its ultimate responsibility for all aspects of the system of internal control and risk management and for reviewing its effectiveness. In establishing these systems, the directors have considered the nature of the Group's business with regard to the risks to which the business is exposed, the likelihood of such risks occurring and the costs of protecting against them. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The primary responsibility for the day-to-day operation of the systems of internal control and the identified primary risks facing the Group is delegated to the Board of the Company.

The key features of the system of internal control and risk management are:

- management accounts considered by the Board on a monthly basis;
- annual budgeting with results considered regularly against budget;
- forecasts regularly updated and reported to the Board;
- cash flow forecasting on a rolling basis for up to two years in the future;
- physical and computer security issues and contingency planning;
- risk management review and monitoring of those risks; and
- regular review to confirm the on-going solvency of the Group.

Investor Relations

Any issues of concern can be addressed to the Board by any shareholder. All shareholders are encouraged to attend the Annual General Meeting and any Extraordinary General Meetings, where they are given an opportunity to question the Chairman and the Board.

Corporate social responsibility

The Group aims to operate at all times in a socially responsible manner and is committed to achieving high standards of corporate governance, integrity and business ethics in all of its activities. The Group's activities focus on an important area of Corporate Social Responsibility, namely the provision of high quality vocational training designed to improve the skills of the UK workforce with a particular emphasis on those individuals with qualifications below National Vocational Qualifications Level 2.

The Group acknowledges the importance of environmental matters and where possible, utilises environment friendly policies in its offices such as recycling and energy efficient practices.

Employees

The Group recognises that people are its greatest asset. The Group has a policy of keeping all employees informed about its plans and progress through regular meetings and electronic communication. Participation by employees in the progress and profitability of the Group is encouraged, where appropriate, through annual bonus schemes. Employee development is encouraged with formal staff appraisals and training programmes.

The Group operates recruitment and selection procedures which consider all applicants for employment on the basis of qualification for specific vacancies without regard to race, colour, religion, sex, age, disability or national origin.

Employee Participation

Employees of the Group are able to participate in the success of the Group through its employee share scheme.

The Group has adopted an Enterprise Management Incentive (EMI) Scheme to allow individuals to be granted the right to acquire Ordinary Shares in the Company subject to the terms of the Income Tax (Earnings and Pensions) Act 2003 and EMI Scheme. The price payable on the exercise of the options granted under the EMI Scheme will not be less than the market value of the Ordinary Shares at the date of grant as agreed with HMRC and not be less than the nominal value of an Ordinary Share.

During the year options were granted over 2,000,000 Ordinary Shares at 15p per share of which 800,000 were granted under the Approved Scheme and 1,200,000 under the Unapproved Scheme.

DIRECTORS' REPORT

Creditors' payment policy

It is the policy of the Group to agree terms and conditions with suppliers and to pay in accordance with them, provided the goods or services concerned have been supplied in accordance with those terms and conditions.

At 31 March 2011, the Group had an average of 36 days (2010 – 34 days) purchases outstanding in trade creditors.

Financial instruments

Details of the Group's risk management objectives and policies and its exposure to financial risk are set out in note 16 to the financial statements.

The purpose of the policies is to ensure that adequate cost-effective funding is available to the Group and exposure to financial risk – interest rate, liquidity and credit risk – is minimised.

Post balance sheet events

On 6 April 2011 the Company acquired 100% of the issued share capital of BDTS Limited for an aggregate consideration of £1.9 million, payable as to £1.8 million in cash and £0.1 million in shares. The cash consideration included £1.2 million for excess net assets.

Future developments

The Group intends to continue to develop and extend its range of vocational and skills training activities through organic growth, acquisition and partnering arrangements.

Going concern

The Board reviews the financial position of the Company and Group on a regular basis and as part of the process of approving the financial statements. After reviewing the Group's budget for 2011/12, events subsequent to the year end and its medium term plans, the Directors are confident that the Company and the Group have adequate financial resources to continue in operational existence for the foreseeable future. Accordingly, they have continued to adopt the going concern basis in preparing the financial statements.

Audit Information

The Directors confirm, that, so far as each director is aware, there is no relevant audit information of which the auditors are unaware and that each director has taken all reasonable steps to make himself or herself aware of any relevant audit information and to establish that the auditors are aware of that information.

A statement by the Directors' of their responsibilities for preparing the financial statements of the Group and Company is given in the Statement of directors' responsibilities in relation to the Group and Company financial statements.

Auditors

BDO LLP have expressed their willingness to continue in office and a resolution to re appoint them will be proposed at the Annual General Meeting.

Annual general meeting

The Parent Company's Annual General Meeting will be held on 25 July 2011 at 6 pm at the offices of Memery Crystal LLP, 44 Southampton Buildings, London WC2A.

The resolutions to be proposed at the Annual General Meeting, together with explanatory notes, are contained within the Notice of Annual General Meeting.

By Order of the Board

Lynn Chandler
Company Secretary

27 June 2011

BIOGRAPHICAL INFORMATION ON DIRECTORS

Lynn Chandler - Finance Director - Aged 50

Lynn is a chartered accountant and was the Finance Director of BPP Holdings plc for 10 years until she retired from full-time employment in 2005. Lynn is a non-executive committee member of A2Dominion Housing Group.

Compton Hellyer - Non-Executive Director - Age 64

Compton worked in the City for over 20 years, first as a stockbroker and then as a financial adviser on commodities and futures. In 1991 Compton founded Sporting Index which soon became one of the world leaders in spread betting. He left Sporting Index when it was bought by a private equity firm in 2003 and now is chairman of six private companies.

Si Hussain – Chief Executive – Age 43

Si is a chartered accountant. Si was an executive director of the main board of BPP Holdings plc and left in October 2009 when BPP was acquired by the Apollo Group. Si was responsible for the professional training and professional development division at BPP.

Charles Prior - Chairman - Aged 63

Charles is a chartered accountant and was one of the founder shareholders and directors of BPP Holdings plc ("BPP"). Charles was its Chief Executive until his retirement in August 2007. Under his leadership BPP grew into a substantial training company with market capitalisation of over £250M.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE GROUP AND PARENT COMPANY FINANCIAL STATEMENTS

Directors' responsibilities

The directors are responsible for preparing 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 Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the Parent Company 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 Group and Parent Company and of the profit or loss of the Group 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;
- in respect of the Group financial statements state that they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the Group 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 which 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.

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WOODSPEEN TRAINING PLC

We have audited the financial statements of Woodspeen Training plc for the year ended 31 March 2011 which comprise the consolidated statement of financial position and company balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent company financial statements 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 sections 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 auditors

As explained more fully in the statement of directors' responsibilities, 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2011 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Russell Field (senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor

Epsom, Surrey

United Kingdom

27 June 2011

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

CONSOLIDATED INCOME STATEMENT

YEAR TO 31 MARCH 2011

	Note	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Revenue	2	5,711,583	5,108,057
Cost of sales	3	(3,509,021)	(2,962,721)
Gross profit		2,202,562	2,145,336
Administrative expenses	3	(3,459,380)	(1,504,349)
(Loss)/Profit from operations	2,3	(1,256,818)	640,987
Analysed as:			
Profit from operations excluding exceptional item		693,182	640,987
Exceptional item	6	(1,950,000)	-
		(1,256,818)	640,987
Finance revenue		2,077	133
Finance costs	7	(9,148)	(21,560)
(Loss)/Profit before taxation		(1,263,889)	619,560
Tax expense	8	(194,289)	(192,172)
(Loss)/Profit for the period		(1,458,178)	427,388

Earnings per share

- Basic	9	(6.14)p	2.19p
- Diluted	9	(6.11)p	2.19p

Turnover and profit all derive from continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 MARCH 2011

There is no difference between the loss/profit for the year shown and total comprehensive income.

Reconciliation of movements in total equity are given in the Statement of changes in equity.

The accompanying Notes form an integral part of these Group financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2011

COMPANY NUMBER : 06434555

	Note	2011 £	2010 £
Assets			
Non-current assets			
Property, plant and equipment	10	176,054	145,007
Intangible assets	11	2,319,981	4,447,663
Deferred tax assets	17	3,033	-
		2,499,068	4,592,670
Current assets			
Trade and other receivables	12	1,101,800	941,273
Cash and short term deposits		3,763,321	693,308
		4,865,121	1,634,581
Total assets		7,364,189	6,227,251
Liabilities			
Current liabilities			
Trade and other payables	13	920,171	536,187
Deferred revenue		40,318	13,261
Current tax liabilities		237,780	270,514
Financial liabilities	14	-	250,000
Provisions	15	203,418	181,037
		1,401,687	1,250,999
Non-current liabilities			
Financial liabilities	14	-	100,000
Provisions	15	7,694	5,528
Deferred tax liabilities	17	91,416	133,466
		99,110	238,994
Total liabilities		1,500,797	1,489,993
Net Assets		5,863,392	4,737,258
Equity			
Capital and reserves attributable to equity holders of the Company			
Issued share capital	18	3,528,620	2,052,000
Share premium reserve	22	2,997,637	1,907,822
Merger reserve	22	336,000	336,000
Retained earnings	22	(998,865)	441,436
Total Equity		5,863,392	4,737,258

The financial statements were approved and authorised for issue by the Board of Directors on 27 June 2011 and were signed on its behalf by:

Si Hussain
Chief Executive

Lynn A Chandler
Finance Director

The accompanying Notes form an integral part of these Group financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR TO 31 MARCH 2011

	Note	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Cash flows from operating activities			
(Loss)/Profit before taxation		(1,263,889)	619,560
Adjustments for:			
Impairment write down goodwill	6	1,950,000	-
Depreciation of property, plant and equipment	10	48,096	33,787
Depreciation leasehold improvements	15	63,240	34,703
Loss on disposal of property, plant and equipment		1,828	2,586
Amortisation of intangibles – customer contracts acquired on acquisition	11	174,146	160,570
Amortisation of intangibles – software	11	4,422	2,570
Share based payment expense	19	17,877	-
Finance income		(2,077)	(133)
Finance costs		9,148	21,560
Increase in trade and other receivables		(160,797)	(13,853)
Increase in trade and other payables		387,649	161,480
Increase in deferred revenue		27,057	13,261
Decrease in provisions		(38,694)	-
Cash generated by operations		1,218,006	1,036,091
Income taxes paid		(272,105)	(260,771)
Cash flows from operating activities		945,901	775,320
Cash flows from investing activities			
Acquisitions – Consideration		-	(3,565,638)
Acquisitions – Cash acquired		-	673,713
Acquisitions – Expenses		-	(48,963)
Purchase of plant and equipment	10	(80,971)	(40,034)
Purchase of intangibles - software	11	(886)	(18,915)
Interest received		2,077	133
Net cash used in investing activities		(79,780)	(2,999,704)
Cash flows from financing activities			
Proceeds from issue of shares		2,657,916	1,196,000
Expenses in connection with share issues		(91,481)	(67,106)
Repayment of loan notes		(350,000)	(125,000)
Interest paid		(12,543)	(18,165)
Net cash used in financing activities		2,203,892	985,729
Increase/(Decrease) in cash and cash equivalents		3,070,013	(1,238,655)
Cash and cash equivalents at start of period		693,308	1,931,963
Cash and cash equivalents at end of period		3,763,321	693,308

The accompanying Notes form an integral part of these Group financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 31 MARCH 2011

	Issued Share Capital	Share Premium Account	Merger Reserve	Retained Earnings	Total Share- holders Equity
	£	£	£	£	£
At 1 April 2009	976,000	1,854,928	336,000	14,048	3,180,976
<i>Transactions with owners:</i>					
Placing of shares in period	1,076,000	120,000	-	-	1,196,000
Expenses of share issues	-	(67,106)	-	-	(67,106)
<i>Profit and total comprehensive income</i>					
	-	-	-	427,388	427,388
At 31 March 2010	2,052,000	1,907,822	336,000	441,436	4,737,258
At 1 April 2010	2,052,000	1,907,822	336,000	441,436	4,737,258
<i>Transactions with owners:</i>					
Placing of shares in period	1,476,620	1,181,296	-	-	2,657,916
Expenses of share issues	-	(91,481)	-	-	(91,481)
Employee share option schemes:					
- Value of share options granted	-	-	-	17,877	17,877
<i>Loss and total comprehensive income</i>					
	-	-	-	(1,458,178)	(1,458,178)
At 31 March 2011	3,528,620	2,997,637	336,000	(998,865)	5,863,392

The accompanying Notes form an integral part of these Group financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

1 Accounting policies

(a) General information

The Group's principal activity is provision of vocational and skills training, assessment and related services.

The Company's principal activity is that of a holding company.

(b) Basis of preparation

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) adopted for use in the European Union (EU) as they apply to the financial statements of the Group for the year ended 31 March 2011, and therefore comply with Article 4 of the EU IAS Regulation, and with those parts of the Companies Act 2006 applicable to groups preparing their accounts under IFRS.

The Group has applied all accounting standards and interpretations issued by the International Accounting Standards Board and International Accounting Interpretations Committee effective at the time of preparing the financial statements.

(c) Basis of consolidation

The consolidated financial information includes the accounts of the Company and its subsidiary undertakings at the balance sheet date using the acquisition method.

Subsidiary undertakings are consolidated from the date on which control is transferred to the Group. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Inter-company transactions and balances are eliminated on consolidation.

Where necessary, adjustments are made to the financial information of subsidiaries to bring the accounting policies used into line with those adopted by the Group.

The financial statements of all subsidiaries are prepared to the same reporting date as the Parent Company.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary undertaking are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition.

(d) Significant accounting estimates and judgements

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for revenues, expenses, assets, intangible assets (including goodwill), liabilities and disclosures of contingent liabilities at the date of the financial statements. However, the nature of estimation means that actual outcomes could differ from those estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities in the next financial year are as follows:

- The measurement and impairment of goodwill, an intangible asset with an indefinite life. The Group determines whether goodwill is impaired on an annual basis requiring an estimation of the value in use of the cash generating unit to which goodwill is allocated. This involves estimation of future cash flows and choosing a suitable discount rate;
- The determination of the fair value of intangible assets on acquisition and their useful lives; and
- The estimation of dilapidation provisions.

The principal accounting policies adopted by the Group are as follows:

(e) Intangible assets

Goodwill

Goodwill represents the excess of the fair value of the consideration over the fair values of the identifiable net tangible and intangible assets acquired.

Under IFRS3 'Business Combinations' goodwill arising on acquisitions is not subject to amortisation but is subject to annual impairment testing. Any impairment is recognised immediately in the income statement and not subsequently reversed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

1 Accounting policies (continued)

(e) *Intangible assets (continued)*

Intangible assets acquired on acquisition of a subsidiary undertaking

Intangible assets that are acquired on acquisition of a subsidiary undertaking are stated at fair value at date of acquisition and amortised over their expected useful economic lives on a straight-line basis. The amortisation charge is included in administrative expenses in the income statement.

Customer contracts – between 27 and 39 months.

(f) *Property, plant and equipment*

Property, plant and equipment are shown at cost less subsequent depreciation and impairment.

Depreciation on assets is calculated to allocate the cost of each asset less its residual value (based on prices prevailing at the balance sheet date) over its estimated useful life.

Depreciation rates are as follows:

Leasehold improvements – straight line over the shorter of the lease term or expected useful life;

Fixtures – 25% per annum straight line or reducing balance; and

Equipment – 25% per annum straight line or reducing balance and 33% straight line.

Depreciation methods, residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

An asset's carrying amount is written down immediately to its recoverable amount (the higher of an asset's fair value less costs to sell and its value in use) if the asset's carrying amount is greater than its estimated recoverable amount.

(g) *Impairment of assets*

Goodwill is tested at least annually (or whenever events or changes in circumstances indicate that carrying value may be impaired) for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Assets that are subject to amortisation (intangible assets) or depreciation (tangible assets) are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the greater of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). 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.

(h) *Financial instruments*

Financial assets and financial liabilities are recognised on the Group balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial Assets

The Group classifies its financial assets in the following categories: loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date. Financial assets are initially recognised at fair value (the transaction price plus directly attributable transaction costs).

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit and loss or available for sale. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in income when the loans and receivables are de-recognised or impaired, as well as through the amortisation process.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

1 Accounting policies (continued)

(h) Financial instruments (continued)

Financial assets classified as loans and receivables comprise:

- Trade and other receivables – are measured initially at fair value and subsequently at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.
- Cash and cash equivalents – comprise cash on hand and demand deposits, and other short-term highly liquid.

Financial liabilities

Financial liabilities classified as loans and borrowings comprise:

- Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.
- Other financial liabilities - Trade payables and other short-term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

(i) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(j) Equity instruments

Equity instruments issued by the Company are recorded the fair value of the proceeds received, net of direct issue costs.

(k) Financial liabilities and equity instruments

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 Group after deducting all of its liabilities.

Convertible loan stock instruments are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt and the fair value assigned to the equity component, representing the embedded option to convert the liability into equity of the Group, is included in capital reserves.

(l) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that there will be an outflow of economic benefits to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(m) Revenue recognition

Revenue from trading activities

Revenue, which is stated net of value added tax, represents revenue earned in respect of services provided in the period. Where amounts have been earned but not invoiced during the period, the amount included in revenue is the proportion of the anticipated net sales earned to date. A corresponding balance is recognised in receivables as accrued revenue.

Where revenue is directly linked to specific achievements, such as payments in respect of learner registration and assessment, this revenue is only recognised when the specific achievement is met.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

1 Accounting policies (continued)

(n) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

(o) Exceptional items

These are material items which derive from events or transactions that fall within the ordinary activities of the Group and which individually or, if of a similar type, in aggregate, need to be disclosed by virtue of their size or incidence if the financial statements are to give a true and fair view.

(p) Retirement benefits: Defined contribution schemes

Contributions to defined contribution pension schemes are charged to the income statement in the year to which they relate.

(q) Share based payments

The fair value of options granted is recognised as an employee expense, with a corresponding increase in equity reserves. The fair value of the options is determined at the date of grant and spread over the period the employees become unconditionally entitled to the options. Non market vesting conditions are taken into account in estimating the number of options likely to vest. The estimate of the number of options likely to vest is reviewed regularly and the expense charged adjusted accordingly. The fair value of the options is calculated using the Black-Scholes pricing model or other appropriate pricing model dependent upon the terms of the share options.

Deferred tax is recognised on unexercised share options in issue in line with the taxation policies below. The movement in the associated deferred tax balance is recognised through the income statement to the extent that it relates to the corresponding cumulative share based payment charge recognised in the income statement. Additional movements are taken directly to equity.

(r) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement 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 Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet 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, on an undiscounted basis, at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, provided they are enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, 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 there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

1 Accounting policies (continued)

(s) *New standards and interpretations applied*

The following standards, amendments to standards and interpretations issued by the IASB and IFRIC relevant to the Group have been applied for the first time during the year ended 31 March 2011 has or will have, in future, an effect on the financial statements:

- Amendment to IFRS 3 'Business Combinations' applies prospectively to business combinations where the acquisition date is on or after 1 April 2010 and requires acquisition costs to be written off through the profit and loss account rather than capitalised as part of the cost of the asset.

Other new standards, amendments to standards and interpretations issued by the IASB and IFRIC also effective for the first time from 1 April 2010 are either not relevant to the Group or have not had a material effect on the financial statements.

(t) *New standards and interpretations not applied*

New standards, amendments to standards and interpretations issued by IASB and IFRIC which are not effective for the financial period beginning on 1 April 2010 and have not been early adopted are, in the opinion of the Directors, either not relevant to the Group or are not anticipated to impact the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

2 Segment information

The Chief Operating Decision Maker has been identified as the Chief Executive. The Chief Executive reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on reports used by the Board.

The Chief Executive assesses the performance of operating segments based on operating profit before amortisation of acquired intangible assets, interest and tax. Information presented to the Chief Executive is measured in a manner consistent with that in the Financial Statements.

The performance of operating segments reviewed by the Chief Executive does not include any allocation of corporate and central costs. Corporate and central costs, although not an operating segment as defined by IFRS8 are reviewed by the Chief Executive and shown as Group items in the table below.

During the year, the Chief Executive reviewed and revised the reporting segments reported to the Board to appropriately reflect the Group's activities and the basis upon which performance and investment decisions are made.

The principal activity of the Group is government sponsored training, assessment and related services. The Chief Executive considers the Group's business through two reporting segments based on principal activity:

- Vocational Training (Apprenticeships, Foundation Learning and other vocational training programmes); and
- Skills Training (Skills for Life, New Deal and other employability training programmes).

The operating segments for the comparative year to 31 March 2010 have been restated to be consistent with the operating segments reported upon for the year to 31 March 2011.

	Year to 31 March 2011		Year to 31 March 2010	
	Revenue	Operating Profit/ (Loss)	Revenue	Operating Profit/ (Loss)
	£	£	£	£
Vocational Training	3,262,538	372,013	2,793,085	294,522
Skills Training	2,449,045	786,662	2,314,972	678,776
Total for segments	5,711,583	1,158,675	5,108,057	973,298
Group items:				
Unallocated central costs		(291,347)		(171,741)
		867,328		801,557
Amortisation charge on acquired intangible assets		(174,146)		(160,570)
Impairment of goodwill		(1,950,000)		-
Total for Group	5,711,583	(1,256,818)	5,108,057	640,987

Other profit and loss information included in operating profit above:

	Year to 31 March 2011		Year to 31 March 2010	
	Operating Profit	Operating Profit	Operating Profit	Operating Profit
	£	£	£	£
Depreciation & amortisation software:				
Vocational Training	37,357		20,523	
Skills Training	14,283		13,146	
Total for segments	51,640		33,669	
Group items:				
Unallocated central costs	878		118	
Total for Group	52,518		33,787	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

2 Segment information (continued)

The reconciliation, by operating segment of the profit/(loss) reported to the Chief Decision Maker to operating profit shown in the financial statements is as follows:

	Year to 31 March 2011			
	Reported Segmental Operating Profit/(Loss)	Amortisation on Acquired Intangible Assets	Impairment of Goodwill	Segmental Operating Profit/(Loss)
	£	£	£	£
Vocational Training	372,013	(157,840)	(400,000)	(185,827)
Skills Training	786,662	(16,306)	(1,550,000)	(779,644)
Total for segments	1,158,675	(174,146)	(1,950,000)	(965,471)
Group items:				
Unallocated central costs				(291,347)
Total for Group				(1,256,818)

	Year to 31 March 2010			
	Reported Segmental Operating Profit/(Loss)	Amortisation on Acquired Intangible Assets	Impairment of Goodwill	Segmental Operating Profit/(Loss)
	£	£	£	£
Vocational Training	294,522	(111,690)	-	182,832
Skills Training	678,776	(48,880)	-	629,896
Total for segments	973,298	(160,570)	-	812,728
Group items:				
Unallocated central costs				(171,741)
Total for Group				640,987

To help understand the underlying trading performance of the Group, revenue streams aggregated within the two operating segments are disclosed below:

	Year to 31 March	
	2011	2010
	£	£
Vocational Training		
Apprenticeship	2,652,382	2,328,648
Pre-Apprenticeship	600,207	464,437
	3,252,589	2,793,085
Other	9,949	-
	3,262,538	2,793,085
Skills Training		
Basic Skills Programmes *	1,167,986	1,317,038
Employment Programmes	1,203,318	950,594
	2,371,304	2,267,632
Other	77,741	47,340
	2,449,045	2,314,972

* In August 2010, the start of the 2010/11 Funding Year, LearnDirect ceased to charge providers a management fee for use of the Ufi's on-line testing system. At the same time additional funding from LearnDirect, equal to the management charge, also ceased. Turnover for the year included £82,000 (2010 - £279,000) of additional funding. Turnover, excluding additional funding, is £1,086,000 (2010 - £1,038,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

2 Segment information (continued)

All income is derived from the United Kingdom.

The Government, through various funding agencies and bodies (SFA, Ufi, DWP etc) and sub-contacting arrangements entered into by the Group, is the Group's single largest customer and accounts for £5,564,000 (97%) of revenue spread across several contracts. The revenue is reported within both Vocational and Skills Training operating segments.

No other single customer accounts for than 10% of Group revenue.

Given the nature of the Group's business, the Chief Executive does not receive or review balance sheet information for operating segments.

3 Expenses by nature

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Staff costs	2,991,701	2,499,725
Direct training costs:		
Licence & registration fees, sub-contractors & trainee allowances etc	503,996	740,126
Staff travel & subsistence	119,535	122,463
Depreciation, amortisation & profit/loss on disposal		
Deprecation of property, plant and equipment (note 10)	48,096	33,787
Depreciation leasehold improvements (note 15)	63,240	34,703
Loss on disposal of property, plant and equipment	1,828	2,586
Amortisation of intangibles – software	4,422	2,570
Amortisation intangibles – customer contracts	174,146	160,570
Property costs:		
Operating lease rentals – property	318,444	271,799
Rates, service charges, utilities, repairs etc	211,937	144,565
Other costs	581,056	454,176
Exceptional items:		
Impairment of goodwill (note 6)	1,950,000	-
Total cost of sales and administrative expenses	6,968,401	4,467,070

Included in Other costs above are the following amounts relating to fees paid to the auditors and their associates:

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Auditors' remuneration		
- Audit of financial statements	12,367	11,500
Other fees paid to auditors and their associates		
- Statutory audit of subsidiaries	17,735	16,000
- Other services	3,000	3,450

In addition, in the year ended 31 March 2010 the auditors received £3,015 for services relating to the placing of shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

4 Staff costs

	Year ended 31 March 2011	Year ended 31 March 2010
	£	£
Wages and salaries	2,706,001	2,290,703
Share based payment expense	17,877	-
	2,723,878	2,290,703
Defined pension contribution costs	13,115	10,222
Short-term non-monetary benefits	9,973	8,386
Social security costs	244,735	190,414
	2,991,701	2,499,725

Subsidiary companies operate defined contribution pension schemes.

The average monthly number of employees during the period was made up as follows:

	Year ended 31 March 2011	Year ended 31 March 2010
	Number	Number
Tutors, assessors and administrators	147	135
Management	6	6
	153	141

The directors are included in the figures and numbers above.

5 Directors and key management personnel emoluments

The aggregate emoluments of the Directors who served during the year were:

Year ended 31 March 2011

	Salary £	Bonus £	Benefits £	Share Based Payment Expense (note 19)	Total £	Year ended 31 March 2010 Total £
Executive Directors						
Lynn Chandler Φ	24,333	14,000	-	-	38,333	22,000
Si Hussain β	53,750	-	1,687	17,877	73,314	-
	78,083	14,000	1,687	17,877	111,647	22,000
Non-Executive Directors						
Compton Hellyer	12,000	-	-	-	12,000	10,000
Charles Prior	18,000	-	2,126	-	20,126	20,948
	108,083	14,000	3,813	17,877	143,773	52,948

Φ £7,000 of the bonus is in respect of the year to 31 March 2010 and £7,000 is in respect of the year to 31 March 2011.

β Appointed 17 May 2010

Charles Prior became non-executive (previously executive) Chairman following the appointment of Si Hussain as Chief Executive on 17 May 2010.

The directors of the Company are the key management personnel as they are the persons having authority and responsibility for planning, directing and controlling the activities of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

6 Exceptional items

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Recognised in arriving at Group operating profit from continuing operations:		
Impairment of goodwill	1,950,000	-

As a result of the annual review of the carrying value of goodwill, the Group has determined that an impairment charge of £1,950,000 is appropriate for the reasons given below. Of this sum - £1,550,000 is attributable to Skills Training and £400,000 is attributable to Vocational Training.

Skills Training: the Government's flagship welfare to work programme – the 'Work Programme' – is replacing the existing welfare to work initiatives including those in which the Group participates (New Deal and Flexible New Deal). The format and structure of the Work Programme is different to New Deal and the Group has determined that it would not be in the best interests of the business to be directly involved in the delivery of the Work Programme. New Deal represents a significant proportion of Skills Training and the cessation of this income stream has resulted in the impairment of goodwill.

Vocational Training: the write down reflects the disappointing performance of S&S Training Services Limited since its acquisition in February 2010 and the lower future growth potential of that business. Projections do not support the carrying value of the goodwill that arose on the acquisition of S&S Training Services Limited and, consequently, it has been written off.

7 Finance costs

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Bank loans and overdrafts	-	104
Interest on loan notes	9,148	21,456
	9,148	21,560

8 Income tax expense

(a) Tax on profit for the period

Tax charged in the income statement	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Current tax:		
UK corporation tax on profits for the year	241,055	221,873
Adjustment for (over)/under provision in prior periods	(1,683)	1,291
Total current tax	239,372	223,164
Deferred tax (Note 17)		
Origination and reversal of temporary differences	(41,829)	(30,992)
Deferred tax income resulting from reduction in tax rate	(3,254)	-
Total deferred tax	(45,083)	(30,992)
Tax charge in the income statement	194,289	192,172

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

8 Income tax expense (continued)**(b) Reconciliation of the total tax charge**

The reasons for the difference between the actual tax charge for the period and the standard rate of corporation tax in the UK applied to profits for the period are as follows:

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Accounting (loss)/profit before tax	(1,263,889)	619,560
Expected tax charge based on the standard rate of corporation tax in the UK of 28%	(353,889)	173,477
Effects of:		
Marginal relief	(6,197)	(2,715)
Share based payments relief	(3,033)	-
Non-deductible expenses for tax purposes		
Impairment of goodwill	546,000	-
Other non- deductible expenses	7,262	13,174
Other items	9,083	6,945
Adjustment for (over)/under provision for current tax in previous periods	(1,683)	1,291
Reduction in opening deferred taxes resulting from reduction in tax rate	(3,254)	-
Total tax charge for the period	194,289	192,172

9 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to ordinary shareholders by the weighted number of shares in issue during the period.

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares for the conversion of all dilutive potential ordinary shares. Options granted under Employee Share Schemes dilute the earnings per share by increasing the weighted average number of shares without changing net profit.

For the better understanding of the underlying trading performance, the directors feel it appropriate to disclose earnings per share before and after adjusting for the amortisation of intangible assets acquired on acquisition of subsidiaries and in respect of the current year the impairment of goodwill.

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Earnings		
Earnings attributable to ordinary shareholders	(1,458,178)	427,388
Amortisation of acquired intangible assets	174,146	160,570
Taxation impact amortisation of acquired intangible assets	(52,856)	(44,601)
Impairment of goodwill	1,950,000	-
Adjusted profit on ordinary activities after tax	613,112	543,357

	Number	Number
Number of shares		
Weighted average number of shares for basic earnings per share	23,743,293	19,542,951
Potential dilutive effect of employee share schemes	119,648	-
Weighted average number of shares for diluted earnings per share	23,862,941	19,542,951

	Pence	Pence
Earnings per share		
Basic earnings per share	(6.14)	2.19
Diluted earnings per share	(6.11)	2.19
Adjusted earnings per share	2.58	2.78
Adjusted diluted earnings per share	2.57	2.78

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

9 Earnings per share (continued)

The calculation of adjusted basic earnings per share is set out below:

	Year ended 31 March 2011	Year ended 31 March 2010
	Pence	Pence
Earnings per share		
Basic earnings per share	(6.14)	2.19
Amortisation of acquired intangible assets	0.73	0.82
Taxation impact amortisation of acquired intangible assets	(0.22)	(0.23)
Impairment of goodwill	8.21	-
Adjusted basic earnings per share (pence)	2.58	2.78

10 Property, plant and equipment

	Leasehold Improvements	Motor Vehicles	Fixtures	Equipment	Total
	£	£	£	£	£
Cost					
At 1 April 2009	11,959	-	17,224	42,328	71,511
Additions	2,220	-	9,387	28,427	40,034
Acquired through business combinations	-	2,191	27,301	54,951	84,443
Disposals	-	-	-	(8,542)	(8,542)
At 31 March 2010	14,179	2,191	53,912	117,164	187,446
Additions	13,584	-	31,974	35,413	80,971
Disposals	-	(2,191)	-	-	(2,191)
At 31 March 2011	27,763	-	85,886	152,577	266,226
Accumulated depreciation					
At 1 April 2009	747	-	3,242	10,619	14,608
Charge for the year	1,607	102	10,528	21,550	33,787
Adjustment for disposals	-	-	-	(5,956)	(5,956)
At 31 March 2010	2,354	102	13,770	26,213	42,439
Charge for the year	4,325	261	14,874	28,636	48,096
Adjustment for disposals	-	(363)	-	-	(363)
At 31 March 2011	6,679	-	28,644	54,849	90,172
Net book value					
At 31 March 2011	21,084	-	57,242	97,728	176,054
At 31 March 2010	11,825	2,089	40,142	90,951	145,007
At 1 April 2009	11,212	-	13,982	31,709	56,903

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

11 Intangible assets

	Goodwill	Customer Contracts	Software	Total
	£	£	£	£
Cost				
At 1 April 2009	1,037,978	110,000	-	1,147,978
Additions	-	-	18,915	18,915
Acquired through business combinations	3,008,724	480,000	-	3,488,724
At 31 March 2010	4,046,702	590,000	18,915	4,655,617
Additions	-	-	886	886
At 31 March 2011	4,046,702	590,000	19,801	4,656,503
Amortisation & impairment				
At 1 April 2009	-	44,814	-	44,814
Amortisation charge for the period	-	160,570	2,570	163,140
At 31 March 2010	-	205,384	2,570	207,954
Amortisation charge for the period	-	174,146	4,422	178,568
Impairment charge for the period	1,950,000	-	-	1,950,000
At 31 March 2011	1,950,000	379,530	6,992	2,336,522
Net book value				
At 31 March 2011	2,096,702	210,470	12,809	2,319,981
At 31 March 2010	4,046,702	384,616	16,345	4,447,663
At 1 April 2009	1,037,978	65,186	-	1,103,164

The carrying amount of goodwill is allocated to cash generating units (CGUs) as follows:

	2011	2010
	£	£
Vocational Training	1,283,824	1,683,724
Skills Training	812,978	2,362,978
	2,096,702	4,046,702

Impairment of goodwill and intangible assets

The total amount of goodwill acquired through business combinations and recognised at 31 March 2011 is allocated for impairment testing to two cash generating units which are also the operating and reportable segments. This represents the lowest level within the Group at which goodwill is monitored for internal management purposes.

The carrying value of goodwill is compared with the asset's recoverable amount, based on value in use, on an annual basis to determine whether impairment exists. The value in use calculation was performed using pre-tax cash flow projections based on financial plans approved by management for the two next years. Cash flows beyond the budgeted period are extrapolated using a 1% growth rate. These future cash flows are discounted by an appropriate risk adjusted pre-tax discount rate (17.2%) to give the value in use.

Management believe that the assumptions used to determine value in use are appropriate and reasonable.

The same approach for calculating the recoverable value of goodwill is used for both cash generating units.

Following the annual impairment review, a charge of £1,950,000 for has been recognised in the income statement in respect of goodwill impairment.

An impairment charge of £1,550,000 has been recognised for Skills Training. The Government's flagship welfare to work programme – the 'Work Programme' – is replacing the existing welfare to work initiatives including those in which the Group participates (New Deal and Flexible New Deal). The format and structure of the Work Programme is different to New Deal and the Group has determined that it would not be in the best interests of the business to be directly involved in the delivery of the Work Programme. New Deal represents a significant proportion of Skills Training and the cessation of this income stream has resulted in the impairment of goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

11 Intangible assets (continued)

An impairment charge of £400,000 has been recognised for Vocational Training. The write down reflects the disappointing performance of S&S Training Services Limited since its acquisition in February 2010 and the lower future growth potential of the business. Projections do not support the carrying value of the goodwill arising on the acquisition of S&S Training Services Limited and, consequently, it has been written off.

Key assumptions

The calculation of value in use is most sensitive to the following assumptions:

- Budget or base year profit – the value in use calculation assumes the budget for the year is achieved;
- Growth of market and market share – the value in use calculation assumes a modest growth (1%) and that the Group will retain rather than increase its market share; and
- Discount rate – cash flows are discounted using the Group's nominal pre-tax discount rate based on the Group's weighted average cost of capital, adjusted to reflect management's estimate of the risk profile for the business.

The value in use calculation assumes that the Group's programmes will continue to be supported by the Government and attract funding.

Sensitivity to changes in assumptions

Impairment analysis requires the use of certain future market assumptions and discount factors, which are subjective in nature. Estimated values can be affected by many factors beyond the Group's control such as business and economic trends, government funding and regulation etc. Changes in circumstances affecting assumptions used could have a significant impact on the value in use potentially resulting in an impairment write down.

Management has considered the impact of budget profit not being achieved in the base year; a reduction in the growth rate; and the impact of an increase in the pre-tax discount rate applied to the calculation.

For Vocational Training, following the impairment of goodwill, budget or base year profit could fall by 50%; or the extrapolated growth rate of 1% could be negative 10%; or the pre-tax discount rate could increase to 30% before the value in use would be close to the carrying value.

For Skills Training, following the impairment of goodwill, budget or base year profit could fall by 45%; or the extrapolated growth rate of 1% could be negative 9%; or the pre-tax discount rate could increase to 29% before the value in use would be close to the carrying value.

12 Trade and other receivables

	2011	2010
	£	£
Current		
Trade receivables	879,797	724,361
Other receivables	10,139	14,439
Prepayments and accrued income	211,864	202,473
	1,101,800	941,273

The carrying amounts of trade and other receivables approximate to their fair value. Trade and other receivables are non-interest bearing and generally on 30 – 60 days' terms.

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13 Trade and other payables

	2011	2010
	£	£
Current		
Trade payables	180,149	184,259
Other taxes and social security taxes	486,412	60,545
Other payables	77,983	36,049
Accruals	175,627	255,334
	920,171	536,187

Trade payables are non-interest bearing and normally settled on 30 day terms.

14 Financial liabilities

	2011	2010
	£	£
Current		
Convertible Loan Note	-	200,000
Loan Note	-	50,000
	-	250,000
Non-Current		
Convertible Loan Note	-	100,000
	-	350,000

Convertible Loan Note

The balance of the £400,000 (nominal value) of Convertible Loan Notes issued as part of the consideration for A&R Training Services Limited was repaid early during the period as permitted by the Convertible Loan Note Instrument. The Convertible Loan Notes were unsecured and bore interest at 6% per annum.

Loan Note

The final two tranches of the £75,000 (nominal value) of Loan Notes issued as part of the consideration for S&S Training Services Limited were redeemed during the period. The Loan Notes were unsecured and bore interest at 6% per annum.

15 Provisions

	Leasehold Dilapidations £
At 1 April 2010	186,565
Arising in year	63,240
Utilised in year	(14,516)
Released in year	(24,177)
As at 31 March 2011	211,112
Current	203,418
Non-current	7,694
Total	211,112

Leasehold dilapidations relate to the estimated cost of returning leasehold properties to their original state at the end of the lease (or break date where the Group has decided to exercise a break clause) in accordance with the lease terms. The cost is recognised as depreciation of leasehold improvements over the remaining term of the lease. The main uncertainty relates to estimating the cost that will be incurred at the end of the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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16 Financial instruments

The Group's activities expose it to a number of financial risks that include credit risk, liquidity risk and cash flow interest rate risk. These risks, and the Group's policies for managing them which have been applied consistently throughout the period, are set out below.

Market Risk

Interest rate risk

The Group's interest rate risk arises from interest bearing assets and liabilities.

The Group has in place a policy of maximising finance income by ensuring that cash balances earn a market rate of interest; offsetting, where possible, cash balances and by forecasting and financing its working capital requirements.

Market Risk

The Group has eliminated the cash flow risk arising on interest bearing liabilities by fixing the rate of interest payable on loan notes prior to issue. Although this does not protect the Group from paying interest rates in excess of market rates, it does protect the Group by eliminating the cash flow risk inherent in variable rate financial liabilities.

Non-market Risk

Liquidity Risk

Liquidity risk arises from the Group's management of working capital and finance charges and repayments on its debt instruments.

The Group's working capital requirements are managed through regular monitoring of the overall cash position and regularly updated cash flow forecasts to ensure that there are sufficient funds available for its operations.

Credit risk

Credit risk arises principally from the Group's trade receivables which comprise amounts due from customers. Prior to accepting new customers a credit check is obtained.

The Group has a significant concentration of credit risk, with a few customers representing the majority of trade receivables. These customers are funded directly or indirectly by the Government and are reliant on continued funding for vocational and skills training. The Group enters into contracts, generally on an annual basis, with these customers determining the level of approved activity for the period.

At 31 March 2011 trade receivables of £15,393 (2010 - £13,605) were past due date but not impaired. These debts relate to customers with no default history. Payment of these debts has been received since the year end.

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

Loans and borrowings

The Group has undrawn committed overdraft facilities available at 31 March 2011. The overdraft facility is a multiple of book debts up to a maximum of £400,000, bears interest at 2½% above base rate; is secured by an omnibus guarantee and debenture over the Group's assets; and is subject to annual renewal on 31 July.

The overdraft facility has not been drawn on during the year.

Analysis of financial assets and liabilities

The Group's financial instruments are categorised as follows:

Financial assets

	Loans and Receivables	
	2011	2010
	£	£
Trade receivables	879,797	724,361
Accrued income	-	9,200
Cash and cash equivalents	3,763,321	693,308
	4,643,118	1,426,869

The carrying value of the Group's financial assets represents its maximum credit risk exposure at the balance sheet date.

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AS AT 31 MARCH 2011

16 Financial instruments (continued)

Financial liabilities

The contractual maturities (representing undiscounted contractual cash flows) of financial liabilities are:

	Within 1 Year £	1 and 2 Years £	Total £
At 31 March 2011			
<i>Non-interest bearing</i>			
Trade and other payables	180,149	-	180,149
Accruals and other payables	236,270	-	236,270
	416,419	-	416,419
At 31 March 2010			
<i>Interest bearing – fixed rate</i>			
Convertible loan notes	200,000	100,000	300,000
Loan notes	50,000	-	50,000
	250,000	100,000	350,000
<i>Non-interest bearing</i>			
Trade payables	184,259	-	184,259
Accruals and other payables	302,766	-	302,766
	487,025	-	487,025
	737,025	100,000	837,025

Fair value of financial instruments

The carrying amount of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

17 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using the tax rate of 26% (2010 – 28%) that has been substantively enacted at the balance sheet date.

The following are the major deferred tax liabilities/(assets) recognised by the Group and the amounts charged/(credited) to the income statement during the current and prior reporting period.

	Business Combinations (Customer Contracts) £	Share Options £	Accelerated Capital Allowances £	Total £
At 1 April 2009	17,779	-	4,478	22,257
<i>Recognised in comprehensive income</i>				
Tax charge/(credit) in income statement	(44,601)	-	13,609	(30,992)
<i>Business combinations</i>				
Acquired on business combinations	-	-	26,016	26,016
Fair value adjustments on business combinations	134,400	-	(18,215)	116,185
At 31 March 2010	107,578	-	25,888	133,466
<i>Recognised in comprehensive income</i>				
Tax charge/(credit) in income statement	(52,856)	(3,033)	10,806	(45,083)
At 31 March 2011	54,722	(3,033)	36,694	88,383

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AS AT 31 MARCH 2011

17 Deferred tax (continued)

Deferred tax balances for financial reporting purposes are analysed as follows:

	2011	2010
	£	£
Deferred tax liabilities	91,416	133,466
Deferred tax assets	(3,033)	-
	88,383	133,466

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of £7,306 (2010 - £7,868) in respect of losses amounting to £28,099 that can be carried forward against future taxable income. These losses have no set expiry date.

18 Share capital

The Company has one class of Ordinary shares which carry equal voting rights and no right to fixed income.

	Number	£
Authorised		
Ordinary shares of 10p each	100,000,000	10,000,000
Allotted, called up and fully paid		
Ordinary shares of 10p each		
At 1 April 2009	9,760,000	976,000
Placing of shares 16 April 2009	1,000,000	100,000
Placing of shares 5 May 2009	9,760,000	976,000
As at 31 March 2010	20,520,000	2,052,000
Placing of shares 7 December 2010	7,560,000	756,000
Placing of shares 14 February 2011	5,464,538	546,454
Placing of shares 28 February 2011	1,741,666	174,166
At 31 March 2011	35,286,204	3,528,620

19 Share based payments**Enterprise Management Incentive Scheme (EMI Scheme)**

Under the EMI Scheme, options over shares in the Company are granted to senior executives of the Group. The exercise price is equal to the market price, as agreed with HMRC, of the underlying share on the date of grant.

The contractual term of each option granted is three years and there are no cash settlement alternatives. The options lapse if not exercised within the third and tenth anniversary of the date of grant although the rules of the EMI Scheme permit early exercise in certain circumstances.

There are no vesting conditions attached to the share options granted during the year.

	Number	Exercise Price
Outstanding as at 1 April 2010	-	
Granted	2,000,000	15p
Outstanding as at 31 March 2011	2,000,000	
Exercisable as at 31 March 2011	-	

No options lapsed or were exercised in the year.

The remaining contractual life for share options outstanding as at 31 March 2011 was 9.5 years.

The fair value of the share options is estimated at the grant date using the Black-Scholes model, taking into account the terms and conditions upon which the share options were granted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

19 Share based payments (continued)

The following information was used in the determination of the value of options granted during the year.

		2011
Equity-Settled		
Fair value share price at date of grant	Pence	15
Exercise price	Pence	15
Contractual life	Years	10
Expected volatility	%	44%
Expected life	Years	3
Expected dividends	Pence	Nil
Expected dividend growth rate	%	0%
Risk free interest rate	%	0.9%

The volatility assumption, measured at the standard deviation of expected share price returns is based on a statistical analysis of daily share prices of a range of comparable listed companies.

The expense recognised for employee services received during the year is as follows:

	2011	2010
	£	£
Equity-settled share based payment schemes	17,877	-

20 Related party transactions

The Company paid £14,175 (2010 - £3,525) to St Helens Capital LLP for corporate finance services during the year. St Helens Capital LLP is a wholly owned subsidiary of Evolve Capital plc, a substantial shareholder.

The Company paid £nil (2010 - £10,350) to Whim Gully Capital LLP for corporate finance services during the year. Mr Edward Vandyk was a partner of Whim Gully Capital LLP and was also a director of Evolve Capital plc, a substantial shareholder.

21 Obligations under leases

The terms of property leases vary but tend to be tenant repairing leases with rent reviews every two to five years and many have break clauses.

The total value of future minimum lease payments, assuming lease break clauses are not exercised, is as follows:

	2011	2010
	£	£
Not later than one year	2,750	80,816
After one year and not more than five years	255,375	73,125
After five years	123,700	123,750
	381,825	277,691

22 Reserves

The following describes the nature and purpose of each reserve within equity:

Share premium account	Records the consideration premium for shares issued at a value that exceeds the nominal value.
Merger reserve	The Company has applied the provisions of Section 131 of the Companies Act 1985 and obtained merger relief on the 800,000 ordinary shares issued with a fair value of 52p per share, as part of the acquisition of the entire share capital of Futures Training Centres Limited on 8 May 2008.
Retained earnings	Records cumulative gains and losses recognised in the statement in consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

23 Post balance sheet event***BDTS Limited***

On 6 April 2011 the Company acquired 100% of the issued share capital of BDTS Limited which provides government sponsored vocational training. The acquisition was satisfied by way of cash consideration and the issue of 500,000 ordinary shares of 10p.

The cash consideration was paid from existing cash resources.

The consideration shares were valued at fair value of 18p per share at date of acquisition.

The transaction will be accounted for by the purchase method of accounting.

Due to the proximity of the acquisition to the year end, the fair value adjustments contain provisional amounts which will be finalised by the period end. This includes the valuation of intangible assets and related deferred tax effect.

The intangible assets identified on the acquisition of BDTS Limited represent the Directors' estimate of the fair value of customer contracts at acquisition. Residual goodwill represents items that cannot be individually separated and measured due to their natures. This includes the value associated with BDTS Limited' workforce and delivery model, systems and processes.

Fair Values

The provisional book and fair values of the assets and liabilities acquired were as follows:

	Book Value	Fair Value Adjust- ments	Fair Value
	£	£	£
Intangible assets	-	100,000	100,000
Tangible assets	13,686	-	13,686
Trade and other receivables	105,521	-	105,521
Bank balances and cash	1,330,998	-	1,330,998
Trade and other payables	(48,133)	-	(48,133)
Provisions	-	(10,000)	(10,000)
Current tax liabilities	(39,532)	2,600	(36,932)
Deferred tax liabilities	(1,945)	(26,000)	(27,945)
	1,360,595	66,600	1,427,195
Goodwill			477,238
			1,904,433
Satisfied by:			£
Cash			1,814,433
Shares			90,000
			1,904,433
The outflow of cash resulting from the acquisition is as follows:			£
Cash			1,814,433
Acquisition costs – expensed through profit & loss			20,548
Cash and cash equivalents acquired			(1,330,998)
			503,983

COMPANY BALANCE SHEET

AS AT 31 MARCH 2011

COMPANY NUMBER : 06434555

	Note	2011 £	2010 £
Fixed assets			
Tangible fixed assets	3	2,218	1,954
Investments	4	3,725,568	5,075,040
		3,727,786	5,076,994
Current assets			
Debtors: amounts falling due within one year	5	93,171	56,797
Debtors: amounts falling due in over one year	5	3,033	-
Cash at bank and in hand		2,265,711	-
		2,361,915	56,797
Creditors: amounts falling due within one year	6	(201,727)	(804,285)
Net current assets		2,160,188	(747,488)
Total assets less current liabilities		5,887,974	4,329,506
Creditors: amounts falling due in over one year	7	-	(100,000)
		5,887,974	4,229,506
Capital and reserves			
Issued share capital	9,10	3,528,620	2,052,000
Share premium account	10	2,997,637	1,907,822
Retained earnings	10	(638,283)	269,684
Equity Shareholders' Funds		5,887,974	4,229,506

The financial statements were approved and authorised for issue by the Board of Directors on 27 June 2011 and were signed on its behalf by:

Si Hussain
Chief Executive

Lynn A Chandler
Finance Director

The accompanying Notes form an integral part of these financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

1 Accounting policies

(a) General information

The Company's principal activity is that of a holding company.

(b) Basis of preparation

These financial statements present financial information for Woodspeen Training plc as a separate entity, and have been prepared in accordance with the historical cost convention, the Companies Act 2006 and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice). The Company's Consolidated Financial Statements, prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the European Union, are separately presented. The principal accounting policies adopted in these Company financial statements are set out below and, unless otherwise indicated, have been consistently applied for all periods presented.

The principal accounting policies adopted by the Company are as follows:

(c) Investments

Investments held as fixed assets are stated at cost less any provision to reflect impairment in value.

Where applicable, the Company takes advantage of merger relief, recording the investment in the Company's balance sheet at the nominal value of the shares issued.

(d) Impairment of fixed assets

Investments held as fixed assets are tested at least annually (or whenever events or changes in circumstances indicate that carrying value may be impaired) for impairment and carried at cost less accumulated impairment losses. Provisions for any impairment in value are taken to the profit and loss account.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units).

(e) Equity instruments

Equity instruments issued by the Company are recorded the fair value of the proceeds received, net of direct issue costs.

(f) Financial liabilities and equity instruments

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 Group after deducting all of its liabilities.

(g) Taxation

Deferred taxation is recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in future, or a right to pay less taxation in future. An asset is not recognised to the extent that the realisation of economic benefits in the future is uncertain. Deferred tax assets and liabilities are not discounted.

2 Profit for the period

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Profit and Loss Account in these financial statements. The Group profit for the year includes a loss after tax of £925,844 (2010 – profit £387,028) which is dealt with in the financial statements of the Company.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

3 Tangible fixed assets

	Equipment £
Cost	
At 1 April 2010	2,522
Additions	1,142
At 31 March 2011	3,664
Accumulated depreciation	
At 1 April 2010	568
Charge for the year	878
At 31 March 2011	1,446
Net book value	
At 31 March 2011	2,218
At 31 March 2010	1,954

4 Investments

	Investment in Subsidiary Undertakings £
Cost	
At 1 April 2010	5,075,040
Incorporation subsidiary undertakings	528
At 31 March 2011	5,075,568
Provision	
At 1 April 2010	-
Provided in year	1,350,000
At 31 March 2011	1,350,000
Net book value	
At 31 March 2011	3,725,568
At 31 March 2010	5,075,040

Incorporation subsidiary undertakings in year

During the year two wholly owned subsidiary companies were incorporated neither of whom traded during the year.

Provision

Following the annual impairment review, the carrying value of the investment in A&R Training Services Limited has been written down by £970,000. A&R Training Services Limited was a sub-contractor for New Deal which is being replaced by the Government's flagship welfare to work programme – the 'Work Programme'. The Group will not be directly involved in the delivery of the Work Programme. New Deal was a significant proportion of A&R Training Services Limited's business and the cessation of this income stream has resulted in the write down of the value of the investment.

Following the annual impairment review, the carrying value of the investment in S&S Training Services Limited has been written down by £380,000. S&S Training Services Limited's performance has not met expectations and projected profits do not support the carrying value of the investment at cost. The investment in S&S Training Services Limited has been written down to the value of the underlying net assets of the company.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

4 Investments (continued)*Subsidiary undertakings*

The following were trading subsidiary undertakings at the end of the year and included in the consolidated financial statements.

Name	Country of incorporation	Proportion of voting rights and ordinary share capital held	Nature of business
A&R Training Services Limited	UK	100%	Vocational & Skills Training
Futures Training Centres Limited	UK	100%	Vocational & Skills Training
S&S Training Services Limited	UK	100%	Vocational Training

5 Debtors*Debtors: amounts falling due within one year*

	2011	2010
	£	£
Corporation tax	78,500	42,404
Other receivables	813	-
Prepayments and accrued income	13,858	14,393
	93,171	56,797

Debtors: amounts falling due in over one year

Deferred tax	3,033	-
Total debtors	96,204	56,797

6 Creditors: amounts falling due within one year

	2011	2010
	£	£
Convertible Loan Note	-	200,000
Loan Note	-	50,000
Bank overdraft	-	20,159
Taxation and social security costs	6,635	5,885
Other payables	-	3,526
Subsidiary undertakings	150,546	479,395
Accruals	44,546	45,320
	201,727	804,285

7 Creditors: amounts falling due on over one year

	2011	2010
	£	£
Convertible Loan Note	-	100,000

NOTES TO THE COMPANY FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

8 Borrowings

	2011	2010
	£	£
Creditors: amounts due within one year		
Convertible Loan Note	-	200,000
Loan Note	-	50,000
	-	250,000
Creditors: amounts due in over one year		
Convertible Loan Note	-	100,000
	-	350,000

Convertible Loan Note

The balance of the £400,000 (nominal value) of Convertible Loan Notes issued as part of the consideration for A&R Training Services Limited was repaid early during the period as permitted by the Convertible Loan Note Instrument. The Convertible Loan Notes were unsecured and bore interest at 6% per annum.

Loan Note

The final two tranches of the £75,000 (nominal value) of Loan Notes issued as part of the consideration for S&S Training Services Limited were redeemed during the period. The Loan Notes were unsecured and bore interest at 6% per annum.

9 Share capital

The Company has one class of Ordinary shares which carry equal voting rights and no right to fixed income.

	Number	£
Authorised		
Ordinary shares of 10p each	100,000,000	10,000,000
	Number	£
As at 1 April 2010	20,520,000	2,052,000
Placing of shares 7 December 2010	7,560,000	756,000
Placing of shares 14 February 2011	5,464,538	546,454
Placing of shares 28 February 2011	1,741,666	174,166
At 31 March 2011	35,286,204	3,528,620

NOTES TO THE COMPANY FINANCIAL STATEMENTS

AS AT 31 MARCH 2011

10 Reconciliation of movements in share capital and reserves

	Issued Share Capital	Share Premium Account	Retained Earnings	Total Share- holders Equity
	£	£	£	£
As at 31 March 2009	976,000	1,854,928	(117,344)	2,713,584
Retained profit	-	-	387,028	387,028
Placing of shares	1,076,000	120,000	-	1,196,000
Expenses of share issues	-	(67,106)	-	(67,106)
As at 31 March 2010	2,052,000	1,907,822	269,684	4,229,506
Retained loss	-	-	(925,844)	(925,844)
Share based payment	-	-	17,877	17,877
Placing of shares	1,476,620	1,181,296	-	2,657,916
Expenses of share issues	-	(91,481)	-	(91,481)
At 31 March 2011	3,528,620	2,997,637	(638,283)	5,887,974

11 Related party transactions

The Company paid £14,175 (2010 - £3,525) to St Helens Capital LLP for corporate finance services during the year. St Helens Capital LLP is a wholly owned subsidiary of Evolve Capital plc, a substantial shareholder.

The Company paid £nil (2010 - £10,350) to Whim Gully Capital LLP for corporate finance services during the year. Mr Edward Vandyk was a partner of Whim Gully Capital LLP and was also a director of Evolve Capital plc, a substantial shareholder.

12 Post balance sheet events

The Company's disclosures in respect of the acquisition of BDTS Limited are set out in Note 23 of the Group financial statements.

OFFICERS, COMPANY DETAILS & PROFESSIONAL ADVISERS

Officers and Company Details

Directors

Charles Prior FCA (Chairman)
Lynn Chandler ACA (Finance Director)
Compton Hellyer (Non-Executive Director)
Si Hussain ACA FCCA (Chief Executive)

Secretary

Lynn Chandler ACA

Company number

6434555

Registered office

32 Wingate Road
Hammersmith
London
W6 0UR

Country of incorporation

Great Britain

Legal form

Public company limited by shares

Professional Advisers

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Surrey KT17 1HS

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Taunton TA1 2UF

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