

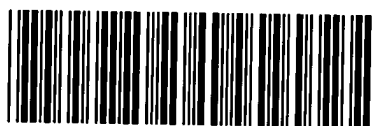
Registered number: 1280778

MANDER PORTMAN WOODWARD LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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MANDER PORTMAN WOODWARD LIMITED

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MANDER PORTMAN WOODWARD LIMITED

COMPANY INFORMATION

Directors

N W K Stout
M A McInroy
D Jones
A V A Thick
S H Coles

Registered number

01280778

Registered office

90-92 Queen's Gate
LONDON
SW7 5AB

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
The Portland Building
25 High Street
Crawley
West Sussex
RH10 1BG

Bankers

HSBC Bank plc
60 Queen Victoria Street
London
EC4N 4TR

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017**

The directors present their Strategic Report on the company for the year ended 31 December 2017. The comparative period for these financial statements is the 18 month period ended 31 December 2016.

Business review

The directors are pleased with the results for the year and are confident of continued growth in the future despite changes in examination policy being brought into effect by the government. Details of the results for the year are included in the directors' report.

Principal risks and uncertainties

Economy and competition

The company's ability to recruit students both from overseas and from its main home markets could be affected by global or domestic economic downturns. Drop-out rates and increased bad debt provisions are a further risk from those students who are successfully recruited during difficult economic times. These risks are in part mitigated by the natural loyalty of parents when it comes to educating their children on long-term courses. Mander Portman Woodward Limited ("MPW") also maintains a high ratio of variable to fixed cost in its teaching resources, thus allowing the company to respond relatively quickly to downward changes in forecast turnover.

To the extent that the company recruits approximately one third of its students from overseas, including approximately one fifth from non-EU countries, it is subject to risks associated with the strength of foreign currencies, changes in the regulatory environment for visa sponsors, perceptions abroad of the degree to which international students are welcomed by the UK Government, breakdown of agency networks and other factors unique to overseas recruitment. The company seeks to mitigate these risks by, amongst other measures, investing in robust internal compliance audit mechanisms, strong agency relationships, personal visits by senior UK staff to overseas markets and by widening the range of countries from which we recruit students.

Business systems and infrastructure

In a people business involving face-to-face interaction on specialised sites, any major, unforeseen events affecting our ability to use our buildings could impact the delivery of our services. We ensure that adequate business interruption insurance is in place and that we keep up-to-date lists of as many alternative emergency teaching premises as possible. We use off-site hosting of IT systems wherever practicable.

Reputational risk

MPW's brand is one of the most trusted in the independent fifth and sixth-form college market. Any event that damages our reputation or brand could have adverse consequences for our ability to recruit students. The company devotes considerable management resource towards ensuring that our reputation is at the forefront of our considerations when taking both operational and strategic decisions.

Risk associated with A level business

There are a number of risks and uncertainties associated with the retake segment of the company's A level business. In particular, any factor that makes university places easier to come by, including a reduction in demand for university places, can depress the retake market. Whilst the company believes that its popularity as a provider of mainstream GCSE and A level courses will continue to outweigh fluctuations in the retake market, there are always uncertainties associated with the pace of change in these two, largely independent marketplaces.

Going concern

The company's business activities and aims are set out within this report. The company is expected to continue to generate positive cash flows on its own account for the foreseeable future. After making enquiries, including from other members of the wider group of companies of which the company is a member, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the company financial statements.

MANDER PORTMAN WOODWARD LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

Financial key performance indicators


The key performance indicators of the company have been identified as turnover, operating profit and operating margin.

	12 months to 31 December 2017	18 months to 31 December 2016	% increase/ (decrease)
Turnover	27,045	33,293	(18.8%)
Operating profit	8,222	7,505	9.6%
Operating margin	30.4%	22.5%	34.9%

The key performance indicators reflect the change in period from 18 months to 12 months. Accordingly, the increases and decreases in the indicators are affected by the unequal distribution of both revenue and profit across the differing time periods.

Non-financial key performance indicators for MPW also include measures such as student numbers and examination performance. College snapshot rolls at the time of the Department for Education January census grew from 1078 in 2016 to 1,120 in 2017, an increase of 3.9%. The academic year ended 2017 was another excellent year for examination results at MPW with 35% of all A level examinations graded at A*/A and 65% at A*-B.

This report was approved by the board on 26 September 2018 and signed on its behalf.



M A McInroy
Director

MANDER PORTMAN WOODWARD LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their annual report and the audited financial statements for Mander Portman Woodward Limited ("MPW") for the year ended 31 December 2017. The comparative period for these financial statements is the 18 month period ended 31 December 2016.

Results and dividends

The profit for the financial year after tax amounted to £6,610K (18 months 2016 £5,290K). The net assets in the business totalled £16,163K at 31 December 2017 (2016: £9,553K).

No interim dividends were paid during the year (2016: £nil). The Directors do not recommend a payment of a final dividend (2016: nil).

Financial instruments

MPW has financial risk management procedures, administered through the finance department under the direction of the Directors. The main financial risks and mitigations of those risks are as follows:

- a) Credit risk – MPW does not consider itself to be exposed to material credit risk due to the diverse nature of its customers. MPW has effective credit management procedures administered by a credit control team.
- b) Foreign currency risk – MPW is exposed to some transactional foreign exchange risk. MPW mitigates this risk by pricing and requiring payment solely in United Kingdom sterling. The risk attached to liabilities incurred in foreign currencies is small and managed through appropriate treasury procedures.
- c) Liquidity risk – liquidity risk is low because MPW generates substantial cash balances on its own account with appropriate procedures to manage these balances in conjunction with its parent and subsidiary companies. There is no commercial borrowing.
- d) Interest rate risk – MPW does not consider itself exposed to material interest rate risk.
- e) Price risk – MPW is not materially exposed to price risk because activity is spread over a wide range of suppliers and customers.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors 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.

MANDER PORTMAN WOODWARD LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

Directors

The directors who served during the year and up to the date of approval of these financial statement, unless otherwise stated, were:

N W K Stout
M A McInroy
D Jones
A V A Thick
S H Coles (appointed 10 March 2017)

Employee involvement

MPW remains committed to providing a positive and motivating work culture for all employees. MPW has arrangements through briefings, electronic mail and in-house intranet for communicating effectively with employees and ensuring that all employees are aware of the financial and economic performance of their business unit and of MPW as a whole. MPW has a flexible and supportive approach to maternity and parental leave returners, and as a result a high percentage continue working with MPW, many in part-time and job sharing roles.

Disabled employees

It is the policy of the company that disabled people, whether registered or not, should receive full and fair consideration for all job vacancies for which they are suitable applicants. Arrangements are made, wherever possible, for retraining employees who become disabled to enable them to perform work identified as appropriate to their aptitudes and abilities.

Future developments

The directors are pleased with the results for the year and are confident of continued growth student numbers in the future despite changes in examination policy being brought into effect by the government.

Qualifying third party indemnity provisions

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

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- So far as the director is aware, there is no relevant audit information of which MPW's auditors are unaware; and
- The director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that MPW's auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting MPW since the year end.


MANDER PORTMAN WOODWARD LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

Re-appointment of auditors

Pursuant to section 487 of the Companies Act 2006, the auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

This report was approved by the board on 26 September 2018 and signed on its behalf.

A handwritten signature in black ink, appearing to read 'M A McInroy', followed by a period.

**M A McInroy
Director**

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MANDER PORTMAN WOODWARD LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Mander Portman Woodward Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2017; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

MANDER PORTMAN WOODWARD LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MANDER PORTMAN WOODWARD LIMITED (CONTINUED)

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Michael Jones (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Gatwick
26 September 2018

MANDER PORTMAN WOODWARD LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	Year ended 31 Dec 2017	Period from 1 Jul to 31 Dec 2016
		£'000	£'000
Turnover	4	27,045	33,293
Cost of sales		<u>(14,200)</u>	<u>(16,876)</u>
Gross profit		12,845	16,417
Administrative expenses		<u>(4,623)</u>	<u>(8,912)</u>
Operating profit	5	8,222	7,505
Amounts written off investments	12	-	(1,000)
Interest receivable and similar income	8	3	13
Interest payable and similar expenses	9	<u>(30)</u>	<u>(41)</u>
Net interest expense		<u>(27)</u>	<u>(28)</u>
Profit before taxation		8,195	6,477
Tax on profit	10	<u>(1,585)</u>	<u>(1,187)</u>
Profit for the financial year/period		6,610	5,290
Other comprehensive income for the year/period		-	-
Total comprehensive income for the financial year/period		6,610	5,290

MANDER PORTMAN WOODWARD LIMITED

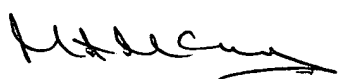
REGISTERED NUMBER: 1280778

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017**

	Note	31 Dec 2017 £'000	31 Dec 2016 £'000
Fixed assets			
Tangible assets	11	1,301	1,083
Investments	12	1,685	1,685
		2,986	2,768
Current assets			
Debtors: amounts falling due within one year	13	30,154	16,346
Cash at bank and in hand	14	1,583	5,124
		31,737	21,470
Creditors: amounts falling due within one year	15	(17,993)	(14,278)
Net current assets		13,744	7,192
Total assets less current liabilities		16,730	9,960
Creditors: amounts falling due after more than one year	16	(145)	(27)
Provisions for other liabilities	19	(422)	(380)
		(422)	(380)
Net assets		16,163	9,553
Capital and reserves			
Called up share capital	20	15	15
Retained earnings		16,148	9,538
Total equity		16,163	9,553

The notes on pages 12 to 26 form part of these financial statements.

The financial statements on pages 9 to 26 were approved and authorised for issue by the board and were signed on its behalf on 26 September 2018 by:



M A McInroy
Director

MANDER PORTMAN WOODWARD LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
At 1 July 2015	15	4,248	4,263
Profit for the financial period	-	5,290	5,290
Other comprehensive income for the period	-	-	-
Total comprehensive income for the financial period	-	5,290	5,290
At 31 December 2016	15	9,538	9,553

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
At 1 January 2017	15	9,538	9,553
Profit for the financial year	-	6,610	6,610
Other comprehensive income for the year	-	-	-
Total comprehensive income for the financial year	-	6,610	6,610
At 31 December 2017	15	16,148	16,163

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

1. General information

Mander Portman Woodward Limited is a private company limited by shares, registered and incorporated in the United Kingdom and registered in England. The company's registered office is 90-92 Queen's Gate, London, SW7 5AB. The activity of the company is the provision of secondary education through its three colleges.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS102").

The accounting policies have been applied consistently.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies. These areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The following principal accounting policies have been applied consistently in the preparation of these financial statements:

2.2 Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report and Directors' Report. The company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The directors of the company do not believe that there exists any material uncertainty that casts significant doubt on the ability of Mander Portman Woodward Limited to continue as a going concern. On the basis of their assessment of the company's financial position, the directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Therefore, they continue to adopt the going concern basis in preparing the annual financial statements.

2.3 Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. The company is a qualifying entity as its results are consolidated into the financial statements of Graham Holdings Company, the company's ultimate parent, which are publicly available.

The company has taken advantage of the following exemptions in its individual financial statements:

- (i) from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;
- (ii) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and the end of the period as required by paragraph 4.12(a)(iv) of FRS 102;
- (iii) from the requirement to disclose the key management personnel compensation in total as required by paragraph 33.7 of FRS 102 and;
- (iv) Non-disclosure of transactions or balances with entities that are part of the group or investments of the group qualifying as related parties where 100% of the company's voting rights are controlled within the group. This is a requirement under FRS 102.33.1A.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.4 Turnover

Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. Turnover represents the amount charged for tuition and other services provided. Revenue associated with all transactions is recognised with reference to the stage of completion at the statement of financial position date when the outcome of each transaction can be estimated reliably. Such outcome can be estimated reliably when the following conditions are satisfied; the revenue can be measured reliably, the economic benefits will flow to the company, the stage of completion at the statement of financial position date can be measured reliably and the costs to the company can be measured reliably.

Turnover in the form of fees for tuition and other services, in relation to courses delivered during the year, is recognised evenly over the period of the relevant course. At the statement of financial position date, the company has invoiced all services for the preceding 12 months. Deferred revenue represents amounts invoiced for which the service will be provided in future periods.

2.5 Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing costs capitalised.

Depreciation is provided on the following basis:

Short-term leasehold property	- over life of the lease
Fixtures and fittings	- over five to ten years
Office equipment	- over three to five years

The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

2.6 Investments

Investments in subsidiary companies are stated at cost less provision for impairment.

2.7 Leases

At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

i) Finance leased assets

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined, the company's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

ii) Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

iii) Lease incentives

Incentives received to enter into a finance lease reduce the fair value of the asset and are included in the calculation of present value of minimum lease payments.

Incentives received to enter into an operating lease are credited to the statement of comprehensive income, to reduce the lease expense, on a straight-line basis over the period of the lease.

2.8 Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

i) Short-term benefits

Short-term benefits, including holiday pay and other similar non-monetary benefits, are recognized as an expense in the period in which the service is received.

ii) Defined contribution pension plans

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognized as an expense when they are due. Amounts not paid are shown in accruals in the statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

iii) Annual bonus plan

The company operates an annual bonus plan for certain employees. An expense is recognized in the statement of comprehensive income when the company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

2.9 Current and deferred taxation

i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.10 Dilapidation provision

Provision for dilapidations represent the expected costs that will be incurred on the expiry of the lease term and a corresponding asset is recognised which is amortised over the duration of the lease. Dilapidations costs are provided at the present value of the expenditure expected to settle the obligation. Estimated future costs of dilapidation are reviewed regularly and adjusted as appropriate for new circumstances. Changes in estimates are capitalised or reversed against the leasehold costs. Estimates are discounted at a pre-tax rate that reflects current market assessment of the time value of money.

2.11 Consolidation

The financial statements present information about the company as an individual undertaking and not about it as a group. The company is exempt from the requirement to prepare group financial statements by virtue of Section 400 of the Companies Act 2006. The results of the company, together with its subsidiary companies are included in the consolidated statements of Graham Holdings Company, the ultimate parent company.

2.12 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.13 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.14 Financial instruments

The company has chosen to adopt sections 11 and 12 of FRS 102 in respect of financial instruments

i) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period, financial assets measured at amortised cost are assessed for evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income.

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

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.14 Financial instruments (continued)

ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow Group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Fees paid on establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is amortised over the period of the facility to which it relates.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

iii) Offsetting

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

2.15 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.16 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other operating income'.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.17 Finance costs

Finance costs are charged to the statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.18 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.19 Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

2.20 Impairment of non-financial assets

At each statement of financial position date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognized in the statement of comprehensive income, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognized revaluation. Thereafter any excess is recognized in profit or loss.

In an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) has no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the statement of comprehensive income.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Impairment of investments in subsidiaries

The company considers whether investments in subsidiaries are impaired. Where an indication of impairment is identified, the estimation of recoverable value requires estimation of the recoverable value of the cash generating units (CGUs). This requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

4. Turnover

Turnover is attributable to the principal activity of the company, the operation of independent fifth and sixth form colleges. All turnover arose within the United Kingdom.

	Year ended 31 Dec 2017 £'000	Period ended 31 Dec 2016 £'000
Tuition fees	27,045	33,293

5. Operating profit

The operating profit is stated after charging/(crediting):

	Year ended 31 Dec 2017 £'000	Period ended 31 Dec 2016 £'000
Depreciation of tangible fixed assets	412	571
Loss on disposal of tangible fixed assets	-	6
Exchange (gain) / loss	(3)	11
Operating lease rentals	1,429	1,948
Bad debts written off or provided for	124	200
Impairment of investment in subsidiary (refer note 12)	-	1,000
Auditors' remuneration		
- Fees payable to the company's auditors in respect of the audit of the company's financial statements	121	60
- Taxation compliance services	17	30

6. Staff costs

Staff costs, including directors' remuneration, were as follows:

	Year ended 31 Dec 2017 £'000	Period ended 31 Dec 2016 £'000
Wages and salaries	9,545	12,867
Social security costs	970	1,283
Other pension costs	213	287
	10,728	14,437

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

6. Staff costs (continued)

The average monthly number of employees, including the directors, during the year/period was as follows:

	Year ended 31 Dec 2017 No.	Period ended 31 Dec 2016 No.
Teaching staff	233	222
Administration and support	95	89
	<u>328</u>	<u>311</u>

7. Directors' remuneration

	Year ended 31 Dec 2017 £'000	Period ended 31 Dec 2016 £'000
Remuneration	543	1,818
Company contributions to defined contribution pension schemes	9	18
	<u>552</u>	<u>1,836</u>

During the year retirement benefits were accruing to 3 directors (2016: 4) in respect of defined contribution pension schemes. The highest paid director received remuneration of £225k (2016: £831k).

8. Interest receivable and similar income

	Year ended 31 Dec 2017 £'000	Period ended 31 Dec 2016 £'000
Interest on bank account balances	3	13

9. Interest payable and similar expenses

	Year ended 31 Dec 2017 £'000	Period ended 31 Dec 2016 £'000
Unwinding of discount on dilapidations provision	30	41

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

10. Tax on profit

	Year ended 31 Dec 2017 £'000	Period ended 31 Dec 2016 £'000
Corporation tax		
Current tax on profits for the year	1,677	1,153
Adjustments in respect of prior periods	(15)	71
Total current tax	1,662	1,224
Deferred tax		
Origination and reversal of timing differences	(88)	(85)
Adjustments in respect of prior periods	11	48
Total deferred tax	(77)	(37)
Tax on profit	1,585	1,187

Factors affecting tax charge for the year/period

The tax assessed for the year/period is higher than (2016: lower than) the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are explained below:

	Year ended 31 Dec 2017 £'000	Period ended 31 Dec 2016 £'000
Profit before tax	8,195	6,477
Profit multiplied by standard rate of corporation tax in the UK of 19.25% (2016:20%)	1,577	1,295
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	39	33
Expenses not deductible for tax purposes – amounts written off investments	-	200
Adjustments to tax charge in respect of prior periods – corporation tax	(15)	71
Adjustments to tax charge in respect of prior periods - deferred taxation	11	42
Other adjustments	11	-
Group relief	(38)	(454)
Total tax charge for the year/period	1,585	1,187

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

10. Tax on profit (continued)

Factors affecting current and future tax charges

The tax rate for the current year is lower than the prior year, due to changes in the UK corporation tax rate, which decreased from 20% to 19% from 1 April 2017. Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the statement of financial position date have been measured using these enacted tax rates and reflected in these financial statements.

11. Tangible fixed assets

	Short-term leasehold property £'000	Fixtures and fittings £'000	Office equipment £'000	Total £'000
Cost				
At 1 January 2017	1,507	528	1,661	3,696
Additions	286	189	154	629
Transfer	8	-	-	8
At 31 December 2017	1,801	717	1,815	4,333
Accumulated depreciation				
At 1 January 2017	924	437	1,252	2,613
Charge for the period	142	51	219	412
Transfer	7	-	-	7
At 31 December 2017	1,073	488	1,471	3,032
Net book value				
At 31 December 2017	728	229	344	1,301
At 31 December 2016	583	91	409	1,083

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

12. Investments

	Investments in subsidiary companies £'000
Cost	
At 1 January 2017	1,685
Impairment	-
At 31 December 2017	<u>1,685</u>
Net book value	
At 31 December 2017	<u>1,685</u>
At 31 December 2016	<u>1,685</u>

During the year, an impairment of £nil (2016:£1,000k) was recorded to reduce the carrying value of the company's investment in Justin Craig Education Holdings Limited. The investment was written down to its estimated value-in-use.

Subsidiary undertakings

The following were subsidiary undertakings of the company during the year:

Name	Country of incorporation	Class of shares	Holding	Activity
Kensington Student Services Limited	United Kingdom	Ordinary	100%	Student accommodation
Justin Craig Education Limited	United Kingdom	Ordinary	100%	Secondary education
Justin Craig Education Holdings Limited	United Kingdom	Ordinary	100%	Holding company

The aggregate of the share capital and reserves as at 31 December 2017 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves 31 Dec £'000	Profit/(loss) for the year ended 31 Dec £'000
Kensington Student Services Limited	(401)	7
Justin Craig Education Limited	67	(176)
Justin Craig Education Holdings Limited	<u>(101)</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

13 Debtors: amounts falling due within one year

	31 Dec 2017 £'000	31 Dec 2016 £'000
Trade debtors	5,553	5,247
Amounts owed by group undertakings	23,613	10,251
Other debtors	26	32
Deferred taxation	197	120
Prepayments and accrued income	765	693
	<u>30,154</u>	<u>16,346</u>

Trade debtors are stated after provision for impairment of £420k (2016: £390k). Amounts owed by group undertakings are unsecured, interest free, and are repayable on demand.

14 Cash at bank and in hand

	31 Dec 2017 £'000	31 Dec 2016 £'000
Cash at bank and in hand	<u>1,583</u>	<u>5,124</u>

15 Creditors: amounts falling due within one year

	31 Dec 2017 £'000	31 Dec 2016 £'000
Trade creditors	679	764
Amounts owed to group undertakings	1,547	-
Taxation and social security	1,096	589
Refundable deposits received from students	3,929	2,966
Other creditors	34	262
Accruals and deferred income	10,708	9,697
	<u>17,993</u>	<u>14,278</u>

Amounts owed to group undertakings are unsecured, interest free, and are repayable on demand.

16 Creditors: amounts falling due after more than one year

	31 Dec 2017 £'000	31 Dec 2016 £'000
Other creditors	<u>145</u>	<u>27</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

17 Financial instruments

	Note	31 Dec 2017 £'000	31 Dec 2016 £'000
Financial assets that are debt instruments that are measured at amortised cost			
Trade debtors	13	5,554	5,247
Amounts owed by group undertakings	13	23,613	10,254
Other debtors	13	26	32
		<u>29,193</u>	<u>15,533</u>
Financial liabilities measured at amortised cost			
Trade creditors	15	679	764
Refundable deposits received from students	15	3,929	2,966
Other creditors	15/16	179	289
Amounts payable to group undertakings	15	1,547	706
		<u>6,334</u>	<u>5,314</u>

18 Deferred tax asset

	31 Dec 2017 £'000	31 Dec 2016 £'000
At beginning of year/period	120	83
Credit to profit and loss	77	37
At end of year/period	<u>197</u>	<u>120</u>

The deferred tax asset is made up as follows:

	31 Dec 2017 £'000	31 Dec 2016 £'000
Fixed asset timing differences	32	16
Short term timing differences	165	104
	<u>197</u>	<u>120</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

19 Provisions for liabilities

	Provisions for dilapidations costs £'000
At 1 January 2017	380
Capitalised in cost of assets	12
Charged to statement of comprehensive income	30
At 31 December 2017	<u>422</u>

The provision for dilapidation costs relates to costs that are expected to be incurred when the corresponding lease expires. This is provided at the present value of the expenditure expected to settle the obligation. The earliest year when a lease expires in 2018.

20 Called up share capital

	31 Dec 2017 £'000	31 Dec 2016 £'000
Allotted and fully paid		
15,000 (2016: 15,000) Ordinary shares of £1 each	<u>15</u>	<u>15</u>

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

21 Pensions

Defined contribution scheme

The Company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in independently administered funds.

The charge to the statement of comprehensive income in respect of defined contribution schemes was £213k (2016: £287k).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

22 Commitments under operating leases

At 31 December 2017 the company had future minimum lease payments under non-cancellable operation leases as follows:

	31 Dec 2017 £'000	31 Dec 2016 £'000
Less than 1 year	1,395	1,106
Between 1 and 5 years	5,404	4,464
After more than 5 years	8,011	7,721
	14,810	13,291

23 Controlling party

The immediate parent company is MPW Holdco Limited.

The only group in which the results of the company are consolidated is that headed by the ultimate holding company and controlling party, Graham Holdings Company, which is incorporated in the U.S.A. Copies of its consolidated financial statement can be found online at: <http://www.ghco.com/phoenix.zhtml?c=62487pp=irol-reportsannual>.