

Company Registration No. 02646404 (England and Wales)

**METROPOLITAN INTERNATIONAL
SCHOOLS LIMITED**

**ANNUAL REPORT AND
FINANCIAL STATEMENTS**

FOR THE PERIOD ENDED 30 SEPTEMBER 2020

METROPOLITAN INTERNATIONAL SCHOOLS LIMITED

COMPANY INFORMATION

Director	Mr J Bradik
Company number	02646404
Registered office	180 Piccadilly London W1J 9HF
Auditor	Hindocha & Co Limited Chartered Accountants and Statutory Auditors 34 Queensbury Station Parade Edgware Middlesex HA8 5NN

METROPOLITAN INTERNATIONAL SCHOOLS LIMITED

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METROPOLITAN INTERNATIONAL SCHOOLS LIMITED

STRATEGIC REPORT

FOR THE PERIOD ENDED 30 SEPTEMBER 2020

The director presents the strategic report for the period ended 30 September 2020.

Fair review of the business

As a consequence of uncertainties relating to the VAT status of the business and the consequential withdrawal of lending support to the business all sales and marketing activity ceased in 2017 and the key strategic objective of the business since 2017 has been to ensure that all enrolled students are able to complete their outstanding training commitments.

As the number of enrolled students with outstanding training commitments has reduced on an annual basis since 2017 the key challenge for the business has been to enable the general overhead structure of the business to reduce in line with the ongoing reduction in the number of students with outstanding training commitments.

The directors report a gross profit of £8,549,876 (74.67%) for the 18 month period to 30 September 2020 compared with a gross profit of £7,758,292 (61.86%) for the 12 month period to 31 March 2019 . In respect of the general overheads these costs have reduced to £7,305,375 for the 18 month period to 30 September 2020 compared with £6,886,322 for the 12 month period to 31 March 2019.

In December 2019, an outbreak of Coronavirus disease (COVID-19) emerged globally and became more widespread in 2020, including a major outbreak in the United Kingdom. The company experienced disruptions from COVID-19 but continued to deliver a service with safeguarding measures. It is difficult to predict the continuing impact that COVID-19 will have on the financial position and operating results due to numerous uncertainties, but the directors of the company have taken adequate mitigating actions. Further details regarding COVID-19 risk and mitigation can be found in the Principal risks and uncertainties section below.

Principal risks and uncertainties

The directors review the principal risks and uncertainties the business faces on a regular basis. In addition to the significant risk associated with the VAT status of the business the principal risks and uncertainties affecting the company are as follows :

Liquidity risk

The directors are actively involved with lenders and other parties to ensure that the business has sufficient liquidity available to meet the ongoing working capital requirements to enable all students to receive their contracted training commitments.

Credit risk

The business now has only limited exposures to credit risk and the directors continually focus on these key relationships and ensure that any credit exposures are reviewed regularly and are appropriate for the business to accept and manage.

Interest risk

The business now has only limited exposures to any interest rate risk but where these exist the risk is managed by reviewing interest rates with financial institutions on a regular basis.

COVID-19

The COVID-19 pandemic has created significant volatility, uncertainty and economic disruption. These factors may have an adverse impact on the future business operations and financial position of the company. The company is focused on addressing the impact of COVID-19 and has taken significant steps to support its staff, continue to serve its customers and maintain its business despite severe operational constraints. The situation surrounding COVID-19 remains fluid, and the company will continue to actively manage its response in collaboration with customers, government and its staff. The Directors continue to monitor and respond to the impact of COVID-19 on the business and all available actions have been taken to protect performance and cash, but also the safety of company's staff.

METROPOLITAN INTERNATIONAL SCHOOLS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 30 SEPTEMBER 2020

Development and performance

Since 2017 and due to the uncertainties relating to the VAT status of the business all sales and marketing activity ceased and the entire focus of the directors has been to ensure that all enrolled students receive their contracted training commitments.

Given the lack of any new sales activity since 2017 the business is solely reliant for ongoing cashflow on the receipt of s.75 retention releases from its historic lending partners to enable it to cover its operational running costs and deliver all of its outstanding training commitments to students. The business also has contractual obligations with some of its lenders to indemnify them against student loans that become impaired. Clearly this indemnity obligation places a further strain on the ongoing future cash flow of the business and clearly the company's historic lending partners monitor the ongoing performance of the business very closely including the ongoing VAT status discussions with HMRC.

All of the above comments relating to the key business objective of delivering all outstanding student training commitments do not reflect the ongoing dispute with HMRC in respect of the VAT status of the business and any potential VAT liability. The directors continue to remain confident that there will be no further liability to pay in respect of any backdated VAT based on their legitimate expectation due to the fact that the company continued to trade in accordance with a scheme agreed back in the year 2000 with HMRC and subsequently in line with the decision of the First Tier Tribunal (FTT) dated 2 October 2015 which found that the nature of the business by the company was 100% zero-rated VAT. That decision was overturned on 9 November 2017 by the Upper Tier Tribunal (UTT) . Following the UTT decision the directors thought it appropriate to review the business model in light of this decision and took the decision not to enrol any further students. The legal advice to date continues to suggest that the directors can comfortably rely on their legitimate expectation not to be charged any backdated VAT on either a retrospective basis or in respect of the run-offs on student contracts signed on or before 9 November 2017. If this legal position was to change then the directors remain advised that their opinion with regards to the going concern nature of the business may have to be reviewed. At the moment and with the ongoing support of historic lending partners the directors remain confident that the business has sufficient future cashflow to meet its future trading obligations.

Key performance indicators

The directors are now solely focused on ensuring that all enrolled students receive all of their contracted training commitments and are happy to confirm that in spite of the challenges experienced linked to the Covid-19 pandemic all contractual training commitments continue to be delivered to all enrolled students.

On behalf of the board

Mr J Bradik

Director

16 December 2021

METROPOLITAN INTERNATIONAL SCHOOLS LIMITED

DIRECTOR'S REPORT

FOR THE PERIOD ENDED 30 SEPTEMBER 2020

The director presents his annual report and financial statements for the period ended 30 September 2020.

Principal activities

The principal activity of the company continues to be the provision of all outstanding training commitments to its enrolled students.

The decision taken by the directors in 2017 to suspend all sales and marketing activities due to uncertainties relating to the VAT status of the training courses that were being marketed has continued throughout the current trading period and as a consequence both the company's turnover and the number of enrolled students has continued to decline with this trend expected to continue through into 2021.

Results and dividends

The results for the Period are set out on page 8.

No ordinary dividends were paid. The director does not recommend payment of a final dividend.

Director

The director who held office during the Period and up to the date of signature of the financial statements was as follows:

Mr J Bradik

Mr G Butler

(Resigned 25 November 2021)

Financial instruments

Treasury operations and financial instruments

The company holds or issues financial instruments in order to achieve three main objectives:

- Finance its operations.
- Manage its exposure to interest risks arising from its operations and from its sources of finance.
- Trading purpose.

In addition, various financial instruments (e.g. trade debtors, trade creditors, accruals and prepayments) arise directly from the financial risks described on strategic report.

Auditor

The auditor, Hindocha & Co Limited, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

METROPOLITAN INTERNATIONAL SCHOOLS LIMITED

DIRECTOR'S REPORT (CONTINUED)

FOR THE PERIOD ENDED 30 SEPTEMBER 2020

Statement of director's responsibilities

The director is responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is 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. He is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

Mr J Bradik
Director

16 December 2021

METROPOLITAN INTERNATIONAL SCHOOLS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF METROPOLITAN INTERNATIONAL SCHOOLS LIMITED

Qualified opinion on financial statements

We have audited the financial statements of METROPOLITAN INTERNATIONAL SCHOOLS LIMITED (the 'company') for the Period ended 30 September 2020 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2020 and of its loss for the Period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for qualified opinion

The company has received an assessment in November 2017 from HMRC in the sum of £27,860,440. The assessment relates to periods from December 2009 to September 2017.

The company has been in litigation with HMRC over many years and had won their case in the First -Tier Tribunal (FTT) in October 2015 which was overturned by Upper Tier Tribunal (UTT) on 9 November 2017. The company was refused leave to appeal to the Court of Appeal against the decision of the Upper Tribunal decision in October 2018. H M Revenue & Customs has since issued VAT recovery assessments for the period from December 2009 to September 2017 which are being strongly contested.

Owing to the uncertainty of the case and also the material amount of the assessment, we are unable to ascertain the likelihood of the outcome of the above matter.

Included in the debtors shown on the balance sheet is an amount of £5,591,894 due from a Marlborough Information Services Ltd. Recoverability of this debt is based on the recoverability of a debt from HMRC to Marlborough Information Services Ltd of approximately £7.2 million and assurance received from Marlborough Information Services Ltd. to the company that the debt will be settled by them immediately upon receiving the funds from HMRC.

As this assurance is reliant on recovery of debt from 3rd parties, there is uncertainty on the recoverability and in the event that the company is unable to receive full payment the provision of £5,432,802 should have been made. Accordingly, debtors should be reduced by £5,432,802, the deferred tax assets should be increased by £1,032,232 and loss for the year and retained losses should be increased by £4,400,570.

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

METROPOLITAN INTERNATIONAL SCHOOLS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF METROPOLITAN INTERNATIONAL SCHOOLS LIMITED

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the director's report for the financial Period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the director's report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of director

As explained more fully in the director's responsibilities statement, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the director determines 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 director is 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 director either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

METROPOLITAN INTERNATIONAL SCHOOLS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF METROPOLITAN INTERNATIONAL SCHOOLS LIMITED

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to him 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.

Yashlal Hindocha BA,FCA (Senior Statutory Auditor)
For and on behalf of Hindocha & Co Limited

16 December 2021

Chartered Accountants and Statutory Auditors

34 Queensbury Station Parade
Edgware
Middlesex
HA8 5NN

METROPOLITAN INTERNATIONAL SCHOOLS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 30 SEPTEMBER 2020

		Period ended 30 Sep 2020 £	Year ended 31 March 2019 £
	Notes		
Turnover	3	11,449,571	12,541,379
Cost of sales		(2,899,695)	(4,783,087)
Gross profit		8,549,876	7,758,292
Administrative expenses		(7,305,375)	(6,886,322)
Operating profit	4	1,244,501	871,970
Other interest payable and similar expenses	7	(2,113,930)	(2,981,641)
Loss before taxation		(869,429)	(2,109,671)
Tax on loss	8	65,545	328,114
Loss for the financial Period		(803,884)	(1,781,557)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

METROPOLITAN INTERNATIONAL SCHOOLS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30 SEPTEMBER 2020

	Period ended 30 Sep 2020 £	Year ended 31 March 2019 £
Loss for the Period	(803,884)	(1,781,557)
Other comprehensive income	-	-
Total comprehensive income for the Period	<u>(803,884)</u>	<u>(1,781,557)</u>

METROPOLITAN INTERNATIONAL SCHOOLS LIMITED

BALANCE SHEET

AS AT 30 SEPTEMBER 2020

	Notes	2020 £	£	2019 £	£
Fixed assets					
Tangible assets	9		27,887		63,204
Current assets					
Debtors falling due after more than one year	11	6,729,488		12,776,526	
Debtors - deferred tax	14	946,581		887,409	
Debtors falling due within one year	11	4,345,647		15,426,606	
Cash at bank and in hand		437,983		6,817	
		12,459,699		29,097,358	
Creditors: amounts falling due within one year	12	(15,198,230)		(27,155,360)	
Net current (liabilities)/assets			(2,738,531)		1,941,998
Total assets less current liabilities			(2,710,644)		2,005,202
Creditors: amounts falling due after more than one year					
Deferred income	15	59,515		3,965,104	
			(59,515)		(3,965,104)
Provisions for liabilities					
Deferred tax liability	14	-		6,373	
			-		(6,373)
Net liabilities			(2,770,159)		(1,966,275)
Capital and reserves					
Called up share capital	17		3,000		3,000
Profit and loss reserves			(2,773,159)		(1,969,275)
Total equity			(2,770,159)		(1,966,275)

The financial statements were approved by the board of directors and authorised for issue on 16 December 2021 and are signed on its behalf by:

Mr J Bradik
Director

Company Registration No. 02646404

METROPOLITAN INTERNATIONAL SCHOOLS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 SEPTEMBER 2020

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 April 2018	3,000	(187,718)	(184,718)
Period ended 31 March 2019:			
Loss and total comprehensive income for the period	-	(1,781,557)	(1,781,557)
Balance at 31 March 2019	3,000	(1,969,275)	(1,966,275)
Period ended 30 September 2020:			
Loss and total comprehensive income for the period	-	(803,884)	(803,884)
Balance at 30 September 2020	3,000	(2,773,159)	(2,770,159)

METROPOLITAN INTERNATIONAL SCHOOLS LIMITED

STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 30 SEPTEMBER 2020

	Notes	2020 £	£	2019 £	£
Cash flows from operating activities					
Cash generated from operations	22	2,545,096		3,069,431	
Interest paid		(2,113,930)		(2,981,641)	
Income taxes paid		-		(65,000)	
Net cash inflow from operating activities		<u>431,166</u>		<u>22,790</u>	
Investing activities					
Purchase of tangible fixed assets		-		(19,414)	
Proceeds on disposal of tangible fixed assets		-		1,000	
Net cash used in investing activities			-		(18,414)
Net increase in cash and cash equivalents		<u>431,166</u>		<u>4,376</u>	
Cash and cash equivalents at beginning of Period		6,817		2,441	
Cash and cash equivalents at end of Period		<u><u>437,983</u></u>		<u><u>6,817</u></u>	

METROPOLITAN INTERNATIONAL SCHOOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 SEPTEMBER 2020

1 Accounting policies

Company information

METROPOLITAN INTERNATIONAL SCHOOLS LIMITED is a private company limited by shares incorporated in England and Wales. The registered office is 180 Piccadilly, London, W1J 9HF.

1.1 Accounting convention

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

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

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

1.2 Going concern

At the time of approving the financial statements, the director has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the director continues to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Reporting period

The company's accounting reference date has been extended to 30 September 2020 to cover 18 months period. The amounts presented in the financial statements (including the related notes) are not entirely comparable.

1.4 Turnover

Turnover represents amounts receivable from sale of courses, net of value added tax and discounts. The income is deferred over the period of the course contract which can be up to four years.

Interest income generally is recognized on the accrual basis except where the amounts are not recoverable.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Course sales income is recognised once contractual agreements are confirmed by the students and is deferred on a monthly basis over the period of the courses which can be up to four years.

1.5 Tangible fixed assets

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

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

Fixtures, fittings & equipment	15% p.a. on a reducing balance basis
Computer equipment	50% p.a. on a reducing balance basis

METROPOLITAN INTERNATIONAL SCHOOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 SEPTEMBER 2020

1 Accounting policies

(Continued)

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

1.6 Impairment of fixed assets

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

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

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

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

1.7 Cash and cash equivalents

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

1.8 Financial instruments

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

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

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

Basic financial assets

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

METROPOLITAN INTERNATIONAL SCHOOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 SEPTEMBER 2020

1 Accounting policies

(Continued)

Other financial assets

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

Impairment of financial assets

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

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

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

Derecognition of financial assets

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

Classification of financial liabilities

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

Basic financial liabilities

Basic financial liabilities, including creditors, 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 payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

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

METROPOLITAN INTERNATIONAL SCHOOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 SEPTEMBER 2020

1 Accounting policies

(Continued)

Other financial liabilities

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

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

Derecognition of financial liabilities

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

1.9 Equity instruments

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

1.10 Taxation

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

Current tax

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

Deferred tax

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

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

METROPOLITAN INTERNATIONAL SCHOOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 SEPTEMBER 2020

1 Accounting policies

(Continued)

1.11 Employee benefits

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

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

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

1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.13 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

1.14 Deferred costs

In accordance with the revenue recognition policy, certain costs relating to these courses have also been deferred over the period of the courses which can be up to four years.

2 Judgements and key sources of estimation uncertainty

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

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

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2020	2019
	£	£
Turnover analysed by class of business		
Course fees	10,423,789	12,346,857
Other income	1,025,782	194,522
	<u>11,449,571</u>	<u>12,541,379</u>

METROPOLITAN INTERNATIONAL SCHOOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 SEPTEMBER 2020

4 Operating profit

	2020	2019
	£	£
Operating profit for the period is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	-	(843)
Fees payable to the company's auditor for the audit of the company's financial statements	22,150	28,050
Depreciation of owned tangible fixed assets	35,317	34,839
(Profit)/loss on disposal of tangible fixed assets	-	32,047
Cost of stocks recognised as an expense	2,861,966	4,758,638
	<u> </u>	<u> </u>

5 Employees

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

	2020	2019
	Number	Number
Directors	2	2
Administration	-	2
Tupe Payroll Staff for two months only	15	-
	<u> </u>	<u> </u>

Their aggregate remuneration comprised:

	2020	2019
	£	£
Wages and salaries	157,310	73,114
Social security costs	12,595	4,398
Pension costs	5,474	2,210
	<u> </u>	<u> </u>
	175,379	79,722
	<u> </u>	<u> </u>

6 Director's remuneration

	2020	2019
	£	£
Remuneration for qualifying services	69,750	46,500
	<u> </u>	<u> </u>

METROPOLITAN INTERNATIONAL SCHOOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 SEPTEMBER 2020

7 Interest payable and similar expenses

	2020 £	2019 £
Interest on financial liabilities measured at amortised cost:		
Interest on invoice finance arrangements	2,113,930	2,981,641
Disclosed on the profit and loss account as follows:		
Other interest payable and similar expenses	2,113,930	2,981,641

8 Taxation

	2020 £	2019 £
Current tax		
Adjustments in respect of prior periods	-	64,608
Deferred tax		
Origination and reversal of timing differences	(65,545)	(392,722)
Total tax credit	(65,545)	(328,114)

The actual credit for the Period can be reconciled to the expected credit for the Period based on the profit or loss and the standard rate of tax as follows:

	2020 £	2019 £
Loss before taxation	(869,429)	(2,109,671)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(165,192)	(400,837)
Tax effect of expenses that are not deductible in determining taxable profit	11,855	9,110
Unutilised tax losses carried forward	148,827	390,034
Change in unrecognised deferred tax assets	(65,545)	(392,722)
Adjustments in respect of prior years	-	64,608
Depreciation on assets not qualifying for tax allowances	6,710	6,619
Capital allowances	(2,200)	(4,926)
Taxation credit for the period	(65,545)	(328,114)

The company has accepted liability for certain debts which the company was previously contesting. Provision has been made accordingly.

The company has estimated losses of £4,975,899 (2019 - £4,192,599) available for carry forward

METROPOLITAN INTERNATIONAL SCHOOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 SEPTEMBER 2020

9 Tangible fixed assets

	Fixtures, fittings & equipment	Computer equipment	Total
	£	£	£
Cost			
At 1 April 2019 and 30 September 2020	74,905	295,991	370,896
Depreciation and impairment			
At 1 April 2019	51,886	255,806	307,692
Depreciation charged in the Period	5,179	30,138	35,317
At 30 September 2020	57,065	285,944	343,009
Carrying amount			
At 30 September 2020	17,840	10,047	27,887
At 31 March 2019	23,019	40,185	63,204

10 Financial instruments

	2020 £	2019 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	9,576,169	20,096,818
Carrying amount of financial liabilities		
Measured at amortised cost	486,248	2,465,861

11 Debtors

	2020 £	2019 £
Amounts falling due within one year:		
Trade debtors	2,364,559	9,244,350
Corporation tax recoverable	4,602	4,602
Other debtors	1,499,973	1,243,864
Prepayments and accrued income	476,513	4,933,790
Deferred tax asset (note 14)	4,345,647	15,426,606
	946,581	887,409
	5,292,228	16,314,015

METROPOLITAN INTERNATIONAL SCHOOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 SEPTEMBER 2020

11 Debtors		(Continued)	
		2020	2019
		£	£
Amounts falling due after more than one year:			
Trade debtors		6,729,488	10,838,368
Prepayments and accrued income		-	1,938,158
		<u>6,729,488</u>	<u>12,776,526</u>
Total debtors		<u>12,021,716</u>	<u>29,090,541</u>

Career Finance 4 Trade Skills Limited, Career Development Finance Limited, Caledonian Consumer Finance Limited and Carnegie Consumer Finance Limited are finance companies. These companies provide credit finance to a number of customers of Metropolitan International Schools Limited to enable them to fund the payment of their fees. Included in trade debtors, amounts due from these companies as collateral under S75 of Consumer Credit Act 1974 towards costs to complete the tuition of students enrolled by the company are as follows:

Career Finance 4 Trade Skills Limited - £20,568 (2019 - £91,370)
 Caledonian Consumer Finance Limited - £17,040 (2019 - £1,466,333)
 Carnegie Consumer Finance Limited - £2,417,524 (2019 - £5,136,765)

12 Creditors: amounts falling due within one year		2020	2019
	Notes	£	£
Trade creditors		271,465	2,198,906
Taxation and social security		82,904	2,141
Deferred income	15	3,711,638	9,526,161
Other creditors		214,782	266,955
Accruals and deferred income		<u>10,917,441</u>	<u>15,161,197</u>
		<u>15,198,230</u>	<u>27,155,360</u>

Deferred income is income that is to be recognised in future periods by the company since courses provided to students can vary in length up to four years.

13 Loans and overdrafts

A debenture in favour of Radio Tatra International s.r.o gives a fixed and floating charge over all assets and undertakings both present and future. The charge was created for the royalties payable in respect of usage of licences and copyright of the organisation.

METROPOLITAN INTERNATIONAL SCHOOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 SEPTEMBER 2020

14 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2020 £	Liabilities 2019 £	Assets 2020 £	Assets 2019 £
Balances:				
Accelerated capital allowances	-	6,373	1,161	-
Tax losses	-	-	945,420	887,409
	<u>-</u>	<u>6,373</u>	<u>946,581</u>	<u>887,409</u>
				2020 £
Movements in the Period:				
Asset at 1 April 2019				(881,036)
Credit to profit or loss				(65,545)
				<u>(946,581)</u>
Asset at 30 September 2020				<u>(946,581)</u>

The deferred tax asset set out above is expected to reverse within 12 months and relates to the utilisation of tax losses against future expected profits of the same period.

15 Deferred income

	2020 £	2019 £
Other deferred income	<u>3,771,153</u>	<u>13,491,265</u>
Deferred income is included in the financial statements as follows:		
Current liabilities	3,711,638	9,526,161
Non-current liabilities	<u>59,515</u>	<u>3,965,104</u>
	<u>3,771,153</u>	<u>13,491,265</u>

METROPOLITAN INTERNATIONAL SCHOOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 SEPTEMBER 2020

16 Retirement benefit schemes

	2020	2019
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	5,474	2,210
	<u> </u>	<u> </u>

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 an independently administered fund.

17 Share capital

	2020	2019	2020	2019
	Number	Number	£	£
Ordinary share capital Issued and fully paid				
Ordinary shares of £1 each	3,000	3,000	3,000	3,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

18 Financial commitments, guarantees and contingent liabilities

The company continues to defend H M Revenue & Customs' action for the collection of VAT allegedly due following the Upper Tribunal decision dated 9 November 2017 overturning the decision of the First Tier Tribunal released in October 2015 which zero rated the company's supplies. The company was refused leave to appeal to the Court of Appeal against the decision of the Upper Tribunal decision in October 2018.

The company has appealed on the grounds of legitimate expectation claiming that the VAT due until the date of the Upper Tribunal decision is not due and payable. Based on advice received, the company considers it has robust grounds to defend the assessments up to November 2017. Notwithstanding the advice, the outcome of the appeal cannot be guaranteed. Should the company lose its appeal, the liability will exceed £27,860,440 and the company's financial position will become uncertain given the immediate financial resources available.

The matters noted last year as above are still extant and no final determination has been made. Despite a ruling in our favour on 2 October 2015 (based on which the company continued to trade as 100% zero rated for VAT) HM Revenue & Customs have sent assessments for the period post the First Tier Tribunal decision on 2 October 2015 to the Upper Tier Tribunal decision on 10 November 2017 (which said that VAT should be on the basis of 100% being taxable). This has also not been determined but if it is found to be a liability then this would add further pressures on the company's finances.

19 Directors' transactions

During the year company paid consultancy fees in the sum of £26,650 (2019 - £30,000) to Mr G E Butler.

20 Ultimate controlling party

The company was under control of the directors by virtue of their directorship.

21 Post Balance Sheet Event

The company has received recovery assessments from HMRC in October 2018 which have been appealed against and are being strongly contested in formal proceedings. Please see note 18 (Contingent liability).

METROPOLITAN INTERNATIONAL SCHOOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 SEPTEMBER 2020

22 Cash generated from operations

	2020 £	2019 £
Loss for the Period after tax	(803,884)	(1,781,557)
Adjustments for:		
Taxation credited	(65,545)	(328,114)
Finance costs	2,113,930	2,981,641
(Gain)/loss on disposal of tangible fixed assets	-	32,047
Depreciation and impairment of tangible fixed assets	35,317	34,839
Movements in working capital:		
(Increase)/decrease in stocks	-	25,140
Decrease in debtors	17,127,996	27,174,880
(Decrease) in creditors	(6,142,607)	(10,865,016)
(Decrease) in deferred income	(9,720,112)	(14,204,429)
Cash generated from operations	2,545,095	3,069,431

23 Analysis of changes in net funds

	1 April 2019 £	Cash flows £	30 September 2020 £
Cash at bank and in hand	6,817	431,166	437,983

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