

BPP Professional Education Limited

Annual Report and Financial Statements

For the year ended 31 August 2018

Company No. 04546335

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COMPANIES HOUSE

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

A Wells

T Stewart

G Gaddes (Appointed 06/02/2018)

G Dart (Appointed 06/02/2018)

AUDITOR

Deloitte LLP

Statutory Auditor

St Albans

United Kingdom

BANKERS

Barclays Bank PLC

27 Soho Square

London W1D 3QR

SOLICITORS

Eversheds LLP (Company No. OC304065)

One Wood Street

London

EC2V 7WS

REGISTERED OFFICE

BPP House

Aldine Place

142-144 Uxbridge Road

London

W12 8AA

Strategic Report

Results and dividends

The trading results for the year ended 31 August 2018, and the Company's financial position at the end of the year, are shown in the attached financial statements.

The profit and loss account for the year shows a loss after tax of £989,000 (2017: £2,736,000 loss). The directors have not recommended a dividend (2017: £nil).

Principal activity of the business

The principal activity of the Company is the provision of accountancy training through classroom and online courses. In addition to this is the provision of continuing professional development courses and also apprenticeship training in a range of disciplines.

Financial review

Turnover for the year was £44,258,000 (2017: £43,658,000) and operating profit was £377,000 (2017: £1,775,000 loss) with an operating profit margin of 0.8% (2017: 4% operating loss margin). The conversion of an operating loss into an operating profit is due to lower accommodation costs following a reduction in property usage, careful management of staff and other operating costs and more profitable revenue generation.

Analysis of key performance indicators

The key performance indicators have been identified as turnover and operating margin. These are discussed under the financial review above.

Key risks and uncertainties

During the year, the Company continued to improve its risk management processes and the systems of internal control. Outlined below is a description of the principal risk factors that management consider affect the Company's business. Not all the factors are within management's control and other factors besides those listed below could also affect the Company.

Economy and competition

As a late cycle business, the uncertainty in the global economy and that caused by the UK leaving the European Union (Brexit) has had a minor impact on our business in 2018 but could represent a greater risk for the future. The key risk that Brexit represents to the Company is predominantly the wider economic impact causing reduced discretionary spend by students and graduate hires by corporates. As the business further expands into the apprenticeship training market following the advent of the Apprenticeship Levy there is exposure to government economic policy. The Company also faces strong competition in its key markets as both product offerings and technology advances.

The Company seeks to address these risks by maintaining its high standards of education, innovation and links to professional firms in order to be the provider of choice for the Company's clients. The Company will closely monitor the economic outlook caused by Brexit and other global economic events in core geographies and will maintain the availability of flexible resources so the Company is able to respond to changes in economic conditions and competitor actions.

Business systems and infrastructure

The risk encompasses the potential for business systems not being capable of supporting the growth of the business and client and competitive demands. This is particularly prevalent as technology evolves and clients look for a greater level of bespoke. The Company continues to make investments in business systems and working with clients to innovate delivery.

Strategic Report (continued)

Compliance and regulatory risk

The Company operates in markets where many of our competitors are professional education providers or Colleges of Higher Education. Any change in the existing tax regimes or government education policy could put us at a competitive disadvantage, and reduce our ability to compete on a level playing field.

As the business further expands into the apprenticeship training market there is further exposure to risk as this area is heavily regulated. Management have implemented an infrastructure to manage this regulatory risk, which is under regular review and evolves as required.

Examinations set by external bodies

A large part of the Company business is teaching for exams, or to a syllabus set by external professional bodies. A change in the way in which subjects are examined, or a reduction in the size of the syllabus, could have a detrimental impact on the business. The Company mitigates this by maintaining a close working relationship with the examination bodies and is aware of significant changes sufficiently in advance to take appropriate measures.

Reputation risk

The Company brand is one of the most successful and best established in the European Training market and represents a key element of the Company's overall marketing and positioning. To prevent brand and reputational damage we have many quality assurance mechanisms to ensure that our teaching and course materials remain of the highest standard.

Dependency on buildings

The loss of access to one of the larger key teaching sites for more than a short period could disrupt teaching for a significant number of students whilst alternative venues are secured. Appropriate insurance cover is in place to mitigate the financial impact of disruption to the business and alternative potential property resources have been identified and a comprehensive business recovery plan is in place.

Market risk

The Company has in place an on-going process for identifying, evaluating and managing market risks that the Company may be exposed to.

The advent of the Apprenticeship Levy represents a significant market opportunity given the marked increase in funding. However this also represents a risk to the business as it seeks to grow sustainably in the face of this new market opportunity. We seek to manage this by maintaining close relationships with key parties involved in policy and funding.

Financial risk – credit risk

The Company's principal financial assets are bank balances and cash, trade and other receivables.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Financial risk – liquidity risk

The Company manages its cash flow within the framework of the BPP Group treasury function. Focus is given to managing and collecting outstanding debt and maintaining operating cash flows. The Group policy is to ensure that the Group has adequate committed bank facilities available and operates within its covenants, maintaining a balance between continuity of funding and flexibility through the use of its own resources, overdrafts, revolving credit facilities and leases.

Strategic Report (continued)

Future developments

The current outlook for BPP Professional Education Limited is positive, especially given the conversion of operating loss into operating profit for the year. We continue to invest in and launch new products to help strengthen BPP's position in the market. The advent of the Apprenticeship Levy continues to represent a significant market opportunity and should lead to an increase in training activity which BPP Professional Education Limited need to use their core competencies and experience to capitalise on. However current market conditions in the traditional qualifications taught by the Company are set to remain challenging and the Company will work closely with institutes to manage this.

Approved by the Board and signed on its behalf by



G Gaddes
Director

Date: 18 December 2018

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 August 2018.

Information about the Company's performance, outlook, strategy, policies, proposed dividends and risk and uncertainties can be found in the strategic report.

Going concern

After making enquiries the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of this report. BPP Holdings Limited have committed that they will lend as is necessary to this entity (see note 1 for further details). Accordingly, they continue to adopt the going concern basis in preparing the Company financial statements.

Directors

The directors who served during the year or were subsequently appointed are set out below:

A Wells

T Stewart

G Gaddes (Appointed 06/02/2018)

G Dart (Appointed 06/02/2018)

Employment policies

The Company recognises that people are its greatest asset and employment policies are directed at creating a workplace that will attract, develop, motivate and reward employees of high calibre, taking into account the specific requirements of the business. Key features of Group employment policies and practices are:

Disability

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

Employee consultation

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings, the Company intranet page and Companywide communications. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

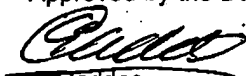
Disclosure of information to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information. The confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Re-appointment of the auditor

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board and signed on its behalf by


G Gaddes
Director

Date: 18 December 2018

Directors' Responsibilities Statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 year. In preparing these financial statements, the directors are required to:

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

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

Independent Auditor's Report To The Members Of BPP Professional Education Limited

Opinion

In our opinion the financial statements of BPP Professional Education Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 August 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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.

We have nothing to report in respect of these matters.

Other information

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

Independent Auditor's Report To The Members Of BPP Professional Education Limited (continued)

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 respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report has been prepared in accordance with applicable legal requirements.

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 any material misstatements in the strategic report or the directors' report.

Independent Auditor's Report To The Members Of BPP Professional Education Limited (continued)

Matters on which we are required to report by exception

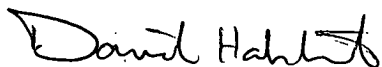
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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



David Halstead FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
St Albans, United Kingdom

Date: 18 December 2018

Profit and Loss Account

For the year ended 31 August 2018

Company No. 04546335

		Year ended 31 August 2018 £'000	Year ended 31 August 2017 £'000
	Notes		
TURNOVER	3	44,258	43,658
Cost of sales		(21,616)	(22,889)
GROSS PROFIT		22,642	20,769
Administrative expenses		(22,265)	(22,544)
OPERATING PROFIT / (LOSS)		377	(1,775)
Interest expense	5	(533)	(538)
(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	4	(156)	(2,313)
Tax on (loss) on ordinary activities	8	(833)	(423)
LOSS FOR THE YEAR		(989)	(2,736)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(989)	(2,736)

All of the activities of the Company are from continuing operations.

There were no recognised gains or losses other than the loss for the year of £989,000 (2017: £2,736,000 loss). Hence, no statement of recognised gains and losses has been prepared.

Notes on pages 13-25 form part of these financial statements.

Balance sheet

As at 31 August 2018

Company No. 04546335

		31 August 2018	31 August 2017
		£'000	£'000
	Notes		
FIXED ASSETS			
Tangible assets	9	44	97
Intangible assets	10	21,230	24,768
		<u>21,274</u>	<u>24,865</u>
CURRENT ASSETS			
Debtors: amounts falling due within one year	11	12,847	13,363
Cash at bank and in hand		3,819	3,617
		<u>16,666</u>	<u>16,980</u>
CREDITORS: amounts falling due within one year	13	(37,283)	(41,172)
Provisions for liabilities	14	(506)	(244)
NET CURRENT LIABILITIES		<u>(21,123)</u>	<u>(20,661)</u>
DEBTORS: amounts falling due after more than one year	12	3,084	3,775
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,215</u>	<u>4,204</u>
NET ASSETS		<u><u>3,215</u></u>	<u><u>4,204</u></u>
CAPITAL AND RESERVES			
Called up share capital	16	646	646
Share premium account		60,454	60,454
Profit and loss account		(57,885)	(56,896)
EQUITY SHAREHOLDERS' FUNDS		<u><u>3,215</u></u>	<u><u>4,204</u></u>

Notes on pages 13-25 form part of these financial statements

The financial statements of BPP Professional Education Limited were approved by the board of directors and authorised for issue and signed on their behalf by:



G Dart
Director

Date: 18 December 2018

Statement of Changes in Equity

For the year ended 31 August 2018

Company No. 04546335

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£'000	£'000	£'000	£'000
Balance at 1 September 2016	646	60,454	(54,160)	6,940
Total comprehensive loss for the year	-	-	(2,736)	(2,736)
Balance at 31 August 2017	646	60,454	(56,896)	4,204
Total comprehensive loss for the year	-	-	(989)	(989)
Balance at 31 August 2018	646	60,454	(57,885)	3,215

Notes to the financial statements

For the year ended 31 August 2018

1. Accounting policies

General information and basis of preparation

BPP Professional Education Limited is a private company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the group's operations and its principal activities are set out in the strategic report on page 2.

The financial statements are prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issue by the Financial Reporting Council.

The functional currency of the Company is considered to be Pound sterling because that is the currency of the primary economic environment in which the Company operates. The financial statements are also in Pound sterling.

The Company is consolidated within the financial statements of Socrates Global Parent Limited, a Company incorporated in the United Kingdom. Copies of Socrates Global Parent Limited's financial statements can be obtained from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

BPP Professional Education Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements. Exemptions have been taken in relation to financial instruments, intra-group transactions, presentation of a cash flow statement and remuneration of key management personnel.

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out on pages 2 to 3 of the Strategic Report.

The Company participates in the Group's centralised treasury arrangements and so shares banking arrangements with its UK parent BPP Holdings Limited and fellow subsidiaries.

BPP Holdings Limited have committed that they will lend as is necessary to this entity to pay the debts of BPP Professional Education Limited as they become due for a period up to 30 June 2020. Having assessed the responses from the directors of BPP Holdings Limited, the directors of the Company have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of BPP Professional Education Limited to continue as a going concern.

On the basis of their assessment of the Company's financial position and of the enquiries made of the directors of BPP Holdings Limited, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Goodwill

Goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life up to a presumed maximum of 10 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other years if events or changes in circumstances indicate that the carrying value may not be recoverable.

Notes to the financial statements

For the year ended 31 August 2018

1. Accounting policies (continued)

Financial assets and liabilities

Financial assets and liabilities are recognised when the Company enters into a contractual agreement. They are recognised at transaction cost and presented as debtors or creditors in the financial statements.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Tangible fixed assets

All fixed assets are initially recorded at cost.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less its estimated residual value, of each asset evenly over its useful economic life.

Leasehold Property	–	over the duration of the lease
Fixtures and fittings	–	over five years
Office equipment	–	over three years

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit and loss account.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight-line basis over the term of the lease.

Notes to the financial statements (continued)

For the year ended 31 August 2018

1. Accounting policies (continued)

Current taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on the tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred taxation

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

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

Revenue recognition

Revenue represents the invoiced amount of goods and services provided. Revenue is recognised as follows:

Tuition fees

Tuition fees are recognised in profit and loss over the length of the course. Tuition fees received in advance are accounted for in liabilities and released over the period of the course. For tuition fees invoiced in advance but where cash is yet to be received, a current liability and corresponding current asset is raised.

Sales of educational materials

Sales of educational materials are recognised when the Company has delivered goods to the student; the student has accepted the goods; and collectability of the related receivable is reasonably assured.

Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of future economic benefits will be required to settle the obligation.

Dilapidation provision

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

Pension policy

The Company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Company and the annual contributions payable are charged to the profit and loss account.

Notes to the financial statements (continued)

For the year ended 31 August 2018

2. Critical accounting judgements and key sources of estimation uncertainty

The directors deem that there were no critical judgements in applying the Company's accounting policies and no key source of estimation uncertainty involved in these financial statements.

3. Turnover

Turnover represents the invoiced amount of goods and services provided during the year, net of VAT. Amounts invoiced but unearned at the year-end are treated as deferred revenue.

An analysis of turnover is given below:

	Year ended 31 August 2018	Year ended 31 August 2017
	£'000	£'000
United Kingdom	43,587	42,840
Europe	292	343
Rest of the world	379	475
	<u>44,258</u>	<u>43,658</u>

4. Profit / (loss) on ordinary activities before taxation

Profit / (loss) on ordinary activities before taxation is stated after charging:

	Year ended 31 August 2018	Year ended 31 August 2017
	£'000	£'000
Depreciation	68	95
Amortisation of intangibles	3,538	3,539
Operating lease rentals – leasehold properties	428	422
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	60	51
	<u>60</u>	<u>51</u>

Notes to the financial statements (continued)

For the year ended 31 August 2018

5. Interest expense

	Year ended 31 August 2018 £'000	Year ended 31 August 2017 £'000
Interest – external	1	1
Interest on intercompany balances	523	518
Unwinding of discount on property provision	9	19
	<u>533</u>	<u>538</u>

6. Staff costs

Staff costs during the year amounted to:

	Year ended 31 August 2018 £'000	Year ended 31 August 2017 £'000
Wages and salaries	11,764	13,101
Social security costs	1,213	1,324
Other Pension costs	485	387
	<u>13,462</u>	<u>14,812</u>

The Company provides a defined contribution pension plan to its employees. The pension plan is administered by an external pension provider. The Company is required to contribute a specified percentage of payroll costs to the scheme to fund the benefit and has no other obligation under the scheme other than to make the required contributions.

The monthly average number of employees during the year was:

	Year ended 31 August 2018 No.	Year ended 31 August 2017 No.
Tutors	197	202
Administration and services	58	70
	<u>255</u>	<u>272</u>

Notes to the financial statements (continued)

For the year ended 31 August 2018

6. Staff costs (continued)

In the current year 128 (2017: 119) employees of BPP University Limited performed services for BPP Professional Education Limited. This resulted in staff cost recharges to this entity of £4,775,000 (2017: £4,872,000) and as such, these costs were borne by BPP Professional Education Limited. The staff costs and staff numbers after these recharges were:

Staff costs during the year after recharges:

	Year ended 31 August 2018	Year ended 31 August 2017
	£'000	£'000
Wages and salaries	15,981	17,417
Social security costs	1,645	1,784
Other Pension costs	612	482
	<u>18,238</u>	<u>19,683</u>

Average number of employees during the year after recharges:

	Year ended 31 August 2018	Year ended 31 August 2017
	No.	No.
Tutors	197	202
Administration and services	186	189
	<u>383</u>	<u>391</u>

Notes to the financial statements (continued)

For the year ended 31 August 2018

7. Directors' emoluments

	Year ended 31 August 2018 £'000	Year ended 31 August 2017 £'000
Emoluments	357	1,112
Company contribution to pension schemes	10	16
	<u>367</u>	<u>1,128</u>

The amounts in respect of the highest paid director are as follows:

Emoluments	115	561
Company contribution to pension schemes	4	6
	<u>119</u>	<u>567</u>

The directors of the Company are also directors of other BPP Holdings Limited subsidiaries. The directors' emoluments are allocated to the relevant entities based on qualifying services. The amount remunerated to directors of the Company by its parent, BPP Holdings Limited or fellow subsidiaries and not included in Directors' emoluments disclosed above was £875,910 (2017: £1,578,000). In addition, all of the directors are accruing benefits under the BPP Holdings Limited group pension scheme, which is a defined contribution scheme, in respect of their services to the group Companies. This is included in amount remunerated to directors of the Company's subsidiaries above.

Notes to the financial statements (continued)

For the year ended 31 August 2018

8. Tax on profit / (loss) on ordinary activities**(a) Analysis of charge in the year**

	Year ended 31 August 2018 £'000	Year ended 31 August 2017 £'000
UK corporation tax	-	150
Group relief receivable	(36)	169
Tax in prior years	158	(146)
Total current tax	122	173
Deferred tax (note 15)		
Origination and reversal of timing differences – current-year	534	(83)
Origination and reversal of timing differences – prior-year	233	112
Decrease in tax rate	(56)	221
Total Deferred Tax	711	250
Tax on loss on ordinary activities (note 8b)	833	423

(b) Factors affecting total tax credit for year

	Year ended 31 August 2018 £'000	Year ended 31 August 2017 £'000
Profit / (loss) on ordinary activities before tax	(156)	(2,313)
Profit / (loss) on ordinary activities multiplied by average rate of corporation tax in the UK of 19.00% (2017: 19.58%)	(30)	(453)
Effect of:		
Disallowed expenses	679	702
Depreciation in excess of capital allowances	(58)	8
Adjustments in respect of prior years	(474)	(146)
Change in deferred tax asset	711	270
Other timing differences	5	42
Total tax credit for the year	833	423

The Finance Act 2016 was enacted on 15 September 2016 meaning that the main rate of UK Corporation Tax will be reduced to 19% for the years starting the 1 April 2017, 2018 and 2019 and 17% from 1 April 2020.

During the year beginning 1 September 2018, the net reversal of deferred tax assets and liabilities is expected to decrease the corporation tax charge for the year by £534,000. This is due to a combination of fixed asset and short term timing differences. These will be carried forward indefinitely.

Notes to the financial statements (continued)

For the year ended 31 August 2018

9. Tangible assets

	Short leasehold £'000	Fixtures and fittings £'000	Office equipment £'000	Total £'000
Cost:				
At 1 September 2017	1,039	455	1,445	2,939
Additions	-	-	15	15
Disposals	(656)	(95)	(25)	(776)
At 31 August 2018	383	360	1,435	2,178
Depreciation:				
At 1 September 2017	955	442	1,445	2,842
Provided during the year	61	6	1	68
Disposals	(656)	(95)	(25)	(776)
At 31 August 2018	360	353	1,421	2,134
Net book value:				
At 31 August 2018	23	7	14	44
At 31 August 2017	84	13	-	97

10. Intangible assets

	Goodwill £'000
Cost:	
As at 1 September 2017	57,378
At 31 August 2018	57,378
Amortisation:	
As at 1 September 2017	(32,610)
Amortisation during the year	(3,538)
At 31 August 2018	(36,148)
Net book value at 31 August 2018	21,230
Net book value at 31 August 2017	24,768

Goodwill relates to former subsidiaries that were hived up into this Company. The remaining useful life on goodwill is six years.

Notes to the financial statements (continued)

For the year ended 31 August 2018

11. Debtors: amounts falling due within one year

	31 August 2018 £'000	31 August 2017 £'000
Trade debtors	6,371	8,722
Amounts due from fellow subsidiaries	83	72
Other debtors	296	53
Prepayments	97	175
Corporation tax	126	129
Intercompany in respect of Group corporation tax relief	1,026	1,141
Accrued income	4,848	3,071
	<u>12,847</u>	<u>13,363</u>

12. Debtors: amounts falling due after more than one year

	31 August 2018 £'000	31 August 2017 £'000
Deferred tax (see note 15)	3,064	3,775
	<u>3,064</u>	<u>3,775</u>

Notes to the financial statements (continued)

For the year ended 31 August 2018

13. Creditors: amounts falling due within one year

	31 August 2018 £'000	31 August 2017 £'000
Trade creditors	269	320
Amounts owed to parent undertaking	27,365	25,688
Amounts owed to fellow subsidiaries	2,710	4,561
Other creditors	295	335
Accruals	1,278	1,751
Deferred revenue	716	5,527
Taxation and social security	1,441	1,344
Fees received in advance	3,209	1,646
	<u>37,283</u>	<u>41,172</u>

Amounts owed to the company's Parent undertaking represent loans without fixed repayment dates but are attracting interest repayments. Interest is charged at 1.75% above the monthly LIBOR rate.

14. Provision for liabilities

	Other Provisions £'000	Dilapidation Provision £'000	Total £'000
At 1 September 2017	-	244	244
Arising during the year	235	18	253
Unwinding of discount on provision	-	9	9
	<u>235</u>	<u>271</u>	<u>506</u>
At 31 August 2018	235	271	506

Dilapidation provision

The provision for dilapidation costs relates to costs that are expected to be incurred following the expiration of leases in 2018. This is provided at the present value of the expenditure expected to settle the obligation.

Other Provision

This relates to a provision for student refunds which represents the estimated future costs of providing refunds for students who have already left the course but the refund is yet to be claimed.

Notes to the financial statements (continued)

For the year ended 31 August 2018

15. Deferred tax

	31 August 2018 £'000	31 August 2017 £'000
At 1 September	3,775	4,025
Arising in the year	(711)	(250)
At 31 August	<u>3,064</u>	<u>3,775</u>

The amounts recognised in the financial statements are as follows:

	31 August 2018 £'000	31 August 2017 £'000
Capital allowances in arrears of depreciation	345	480
Other timing differences	159	161
Losses carried forward	2,560	3,134
Deferred tax asset	<u>3,064</u>	<u>3,775</u>

16. Called up share capital

	31 August 2018 £	31 August 2017 £
Allotted, called up and fully paid:		
1 ordinary share of £1	1	1
64,626,081 irredeemable preference shares of £0.01 each	646,261	646,261

The preference shares are irredeemable and carry no voting rights. The preference shares carry the right to a cumulative floating rate dividend, of LIBOR + 4.36% on the issue price, payable annually solely at the discretion of the directors.

On a winding up of the Company, the preference shareholders have a right to receive, in preference to payments to the ordinary shareholders, the nominal value paid up on the irredeemable shares plus any accrued dividend. The preference shareholders will also receive £0.99 per each irredeemable preference share held at the date of winding up.

Notes to the financial statements (continued)

For the year ended 31 August 2018

17. Other financial commitments

At the end of the year the Company had the following annual commitments under non-cancellable operating leases in respect of leasehold property:

	31 August 2018 £'000	31 August 2017 £'000
Operating leases which expire:		
Within one year	9	154
	<u> </u>	<u> </u>

There are no financial commitments greater than one year.

18. Related party transactions

The Company has taken advantage of the exemption allowed in FRS 102 33.1 and has not disclosed details of related party transactions with 100% owned entities within the Group.

19. Ultimate Parent undertaking and controlling party

In the opinion of the directors, the Company's ultimate parent is Apollo Global Management, LLC, a Company incorporated in the United States. The parent undertaking of the largest group, which includes the Company and for which group accounts are prepared, is Socrates Global Parent Limited, a Company incorporated in Great Britain with a registered office of Eversheds House, 70 Great Bridgewater Street, Manchester, United Kingdom, M1 5ES. Copies of the group financial statements of Socrates Global Parent Limited are available from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ. The Company's immediate controlling party is BPP Services Limited.