Registered number: 08587570

LONDONSCHOOL 1912 LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

LONDONSCHOOL 1912 LIMITED

COMPANY INFORMATION

Directors	H Tallon (appointed 1 January 2019) T Blake
Company secretary	V Patel
Registered number	08587570
Registered office	15 Holland Park Gardens London W14 8DZ
Independent auditors	Haysmacintyre LLP 10 Queen Street Place London EC4R 1AG

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GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

Introduction

The company acts wholly as a holding company for its subsidiaries The London School of English and Foreign Languages Limited (LSEFL) and Bridge Buildings (BB). The principal activity of LSEFL continues to revolve around the provision of English as a foreign language training (typically referred to as ELT). BB owns the freehold of 15 Holland Park Gardens, the trading location of LSEFL, and LSEFL has a tenancy agreement there. Other parts of the business, whether actively trading or not, are subsidiaries of LSEFL.

Business review

The results of the Group for the year as set out in pages 6 to 7 show a loss before taxation of £179,429k (2018 loss of £485,747k). The shareholder's funds of the group total £2,996,138 (cf. 2018: £3,126,611)..

Included within the loss for the year of £485k is an amortisation charge of £252k.

In 2019 the ELT market was highly competitive with an over-supply in both the UK and globally – especially in the mid-tier of the market. Our corporate focused sales strategy was beginning to take shape, though more slowly than we had hoped. The increase in online provision, however, was encouraging as we secured significant corporate work.

Bridge Buildings (BB)
As BB had cash reserves available, it was agreed that these could be used to support the trading company, LSEFL. In fact, BB had been supporting LSEFL anyway by not taking rent, so the resources of BB were being depleted twofold. It was clear that these funds would run out long before the business would be able to get back up on its feet, so we urgently needed to secure a loan (more of which below).

Covid-19
The impact of Covid on the ELT sector as a whole has been catastrophic. A number of competitors have gone out of business and many have had to shrink to a core. We were also critically impacted and had to act very quickly in order to dramatically reduce our costs. As a result we shrank from three centres to one (closing The London School of English, Canterbury subsidiary and leaving our second Westcroft Square London centre. We have also reduced the headcount from 67 FTE to 30. We were able to renegotiate leases and saved around £500k on forward obligations.

Our biggest challenge has been securing funding to see us through the pandemic. Our bank's obsession with trading performance as at December 2019 was very unhelpful, as no consideration was given to the fundamental structural changes made. Similarly, the need to write off our Canterbury debt into 2019 distorted our P&L further, making us an unattractive prospect for a loan. Fortunately, we were able to secure a CBILS loan in November. And though the interest rate is far from attractive, we feel it is manageable and should be enough to see us through the rest of the Covid pandemic now that a vaccination programme is being rolled out.

Principal risks and uncertainties

Although a Covid vaccination programme is underway in the UK, it is unclear how long the rollout will take. Critically, though, we need vaccination programmes to have been rolled out in our key markets to the point where people feel willing and able to travel to the UK. We hope this will have happened early enough to secure good revenues in the (normally) peak summer season.

The other unknown is Brexit. At the time of writing no deal has been secured between the UK and the EU and we are clearly concerned about barriers to movement to and from the EU. A no-deal Brexit would certainly have an impact on our position, though nothing like the impact that Covid has had.

Prospects for the future

At the time of writing we are firmly in the grasp of the second wave of the pandemic. Yet even taking into account the risks and uncertainties outlined above, we do see light at the end of the tunnel. In some ways it would be hard to imagine things being any worse in future than they are as at end December 2020. Our forecasting anticipates a poor Q1 in 2021 and our loan arrangement ensures that we can see our way through that.

Our business has now been fundamentally restructured and we have been able to strip around £1.5m from our cost base. Of course, our overall capacity has shrunk, but in 2018 and 2019 occupancy levels across three centres were disappointing. Having consolidated into a single centre, we can now be profitable with much smaller overall numbers than was possible pre-Covid.

There will certainly be a reduction in supply in the ELT sector, though the true extent of this won't be clear until the UK Government furlough scheme comes to an end in spring 2021. Regardless, the potential to make very good margins on comparatively modest volume in future is extremely motivating.

Key performance indicators

Clearly there are several important KPIs, but cashflow has been a fundamental focus for us throughout 2020 and will be critical in 2021 and beyond. We are forecasting on a week-by-week basis with actuals helping us to keep a handle on cashflow. We will review weekly and monthly trends and take informed decisions on any adjustments that need to be made in order to keep us on track.

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

....

T Blake
Director

Date: 23 December 2020

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

Directors' responsibilities statement

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 the Group and of the profit or loss of the Group for that period.

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

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments 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 Group 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The loss for the year, after taxation, amounted to £9,534 (2018 - loss £427,387).

A dividend of £126,000 (2018: £126,000) was paid during the year.

Directors

The directors who served during the year were:

H Tallon (appointed 1 January 2019)
T Blake

Disclosure of information to auditors

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

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

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

Post balance sheet events

As disclosed in note 22 of the financial statements the COVID-19 pandemic has had a significant impact on the post year end trade of the group. Further details are included in note 22.

Auditors

The auditors, Haysmacintyre LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

....
T Blake
Director

Date: 23 December 2020

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LONDONSCHOOL 1912 LIMITED

Qualified Opinion

We have audited the financial statements of LondonSchool 1912 Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019, which comprise the Group Statement of Comprehensive Income, the Group and Company Statements of Financial Position, the Group Statement of Cash Flows, the Group and Company Statement of Changes in Equity and the related notes, 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 Financial Reporting Standard 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 possible effects of the matter described in the basis for qualified opinion section of our report, the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2019 and of the Group's loss for the year 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

As described in the post balance sheet event note 24, the London School English (Canterbury) Ltd was placed in to liquidation on 18 June 2020. The results of the subsidiary are incorporated in to the Group consolidated accounts. The audit evidence available to use was limited because since the year end the subsidiary suffered an IT failure and is unable to provide the full accounting records in respect of the year. We have been unable to obtain sufficient appropriate audit evidence regarding the amounts included in the group accounts in respect of this subsidiary by using other audit procedures. London School English (Canterbury) Ltd reported turnover for the year of £590,606, loss of £(38,532) and net assets of £41,149 after removing intercompany balances.

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 group and parent 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 qualified opinion

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LONDONSCHOOL 1912 LIMITED (CONTINUED)

Conclusions relating to going concern

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

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

Other information

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

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

As described in the basis for qualified opinion section of our report We were unable to satisfly ourselves concerning the results of the London School of English (Canterbury) Ltd for the year. Where other information refers to the results, incorporating London School of English (Canterbury) Ltd they may be materially misstated for the same reason.

Opinion on other matters prescribed by the Companies Act 2006

Except for the possible effects of the matter described in the basis for qualified opinion section of our report, in our opinion, based on the work undertaken in the course of the audit:

- the information given in the Group 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 Group Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LONDONSCHOOL 1912 LIMITED (CONTINUED)

Matters on which we are required to report by exception

Except for the possible effects of the matter described in the basis for qualified optinion section of our report, in the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Directors' Report.

Arising solely from the limitation on the scope of our audit work relating to the results of London School of English (Canterbury) Limited included within the group consolidated results, referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept.

Other than the above, we have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

- the parent Company financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 3, 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 Group's and the parent 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 Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LONDONSCHOOL 1912 LIMITED (CONTINUED)

Use of our report

This report is made solely to the Company's members 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 Auditors' 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 for our audit work, for this report, or for the opinions we have formed.

Andrew Broome

Andrew Broome (Senior Statutory Auditor)

for and on behalf of
Haysmacintyre LLP

Statutory Auditors

10 Queen Street Place
London
EC4R 1AG
Date: 23 December 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £	2018 £
Turnover	4	5,216,837	5,131,523
Cost of sales		(3,247,742)	(3,192,813)
Gross profit		1,969,095	1,938,710
Administrative expenses		(2,148,522)	(2,424,457)
Operating loss	5	(179,427)	(485,747)
Interest receivable and similar income		(2)	-
Loss before taxation		(179,429)	(485,747)
Tax on loss	9	169,895	61,820
Loss for the financial year		(9,534)	(423,927)
Total comprehensive income for the year		(9,534)	(423,927)
(Loss) for the year attributable to:			
Non-controlling interests		-	3,460
Owners of the parent Company		(9,534)	(427,387)
		(9,534)	(423,927)
Total comprehensive income for the year attributable to:			
Non-controlling interest		-	3,460
Owners of the parent Company		(9,534)	(427,387)
		(9,534)	(423,927)

The notes on pages 17 to 33 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note		2019 £		2018 £
Fixed assets					
Tangible assets	11		3,192,425		3,238,957
Investments	12		1,847		1,847
			3,194,272		3,240,804
Current assets					
Stocks	13	3,490		3,471	
Debtors: amounts falling due within one year	14	844,192		961,728	
Cash at bank and in hand	15	595,048		982,749	
		1,442,730		1,947,948	
Creditors: amounts falling due within one year	16	(1,634,513)		(1,875,908)	
Net current (liabilities)/assets			(191,783)		72,040
Total assets less current liabilities			3,002,489		3,312,844
Provisions for liabilities					
Deferred taxation	17	(6,351)		(186,233)	
			(6,351)		(186,233)
Net assets			2,996,138		3,126,611
Capital and reserves					
Called up share capital	18		1,002		1,002
Share premium account	19		5,499,003		5,499,003
Other reserves	19		41,028		35,967
Profit and loss account	19		(2,530,933)		(2,395,399)
Equity attributable to owners of the parent Company			3,010,100		3,140,573
Non-controlling interests			(13,962)		(13,962)
			2,996,138		3,126,611

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

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T Blake
Director 23 December 2020

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note		2019 £		2018 £
Fixed assets					
Investments	12		5,500,003		5,500,003
			5,500,003		5,500,003
Current assets					
Debtors: amounts falling due within one year	14	35,969		35,969	
		35,969		35,969	
Total assets less current liabilities			5,535,972		5,535,972
Net assets excluding pension asset			5,535,972		5,535,972
Net assets			5,535,972		5,535,972
Capital and reserves					
Called up share capital	18		1,002		1,002
Share premium account	19		5,499,003		5,499,003
Other reserves	19		41,028		35,967
Profit for the year		120,939		126,000	
Other changes in the profit and loss account		(126,000)		(126,000)	
Profit and loss account carried forward			(5,061)		-
			5,535,972		5,535,972

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

....
T Blake
Director 23 December 2020

The notes on pages 17 to 33 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Equity attributable to owners of parent Company	Non-controlling interests	Total equity
	£	£	£	£	£	£	£
At 1 January 2019	1,002	5,499,003	35,967	(2,395,399)	3,140,573	(13,962)	3,126,611
Comprehensive income for the year							
Loss for the year	-	-	-	(9,534)	(9,534)	-	(9,534)
Share option charge	-	-	5,061	-	5,061	-	5,061
Total comprehensive income for the year	-	-	5,061	(9,534)	(4,473)	-	(4,473)
Dividends: Equity capital	-	-	-	(126,000)	(126,000)	-	(126,000)
Total transactions with owners	-	-	-	(126,000)	(126,000)	-	(126,000)
At 31 December 2019	1,002	5,499,003	41,028	(2,530,933)	3,010,100	(13,962)	2,996,138

The notes on pages 17 to 33 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Equity attributable to owners of parent Company	Non-controlling interests	Total equity
	£	£	£	£	£	£	£
At 1 January 2018	1,002	5,499,003	-	(1,842,012)	3,657,993	(17,422)	3,640,571
Comprehensive income for the year							
Loss for the year	-	-	-	(427,387)	(427,387)	3,460	(423,927)
Share option charge	-	-	35,967	-	35,967	-	35,967
Dividends: Equity capital	-	-	-	(126,000)	(126,000)	-	(126,000)
At 31 December 2018	1,002	5,499,003	35,967	(2,395,399)	3,140,573	(13,962)	3,126,611

The notes on pages 17 to 33 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2018	1,002	5,499,003	-	-	5,500,005
Profit for the year	-	-	-	126,000	126,000
Share option charge	-	-	35,967	-	35,967
Dividends	-	-	-	(126,000)	(126,000)
At 1 January 2019	1,002	5,499,003	35,967	-	5,535,972
Profit for the year	-	-	-	120,939	120,939
Share option charge	-	-	5,061	-	5,061
Dividends	-	-	-	(126,000)	(126,000)
At 31 December 2019	1,002	5,499,003	41,028	(5,061)	5,535,972

The notes on pages 17 to 33 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 £	2018 £
Cash flows from operating activities		
Loss for the financial year	(9,534)	(423,927)
Adjustments for:		
Amortisation of intangible assets	-	252,206
Depreciation of tangible assets	101,008	106,872
Interest received	2	-
Taxation charge	(169,895)	(61,820)
(Increase) in stocks	(19)	(660)
Decrease in debtors	106,732	52,984
Decrease/(increase) in amounts owed by participating ints	-	(16,800)
(Decrease)/increase in creditors	(241,393)	153,431
Corporation tax received/(paid)	180,694	(90,011)
Fair Value of Share Option	35,967	35,967
Intercompany write off	(210,791)	-
Net cash generated from operating activities	(207,229)	8,242
Cash flows from investing activities		
Purchase of tangible fixed assets	(54,470)	(141,619)
Interest received	(2)	-
Net cash from investing activities	(54,472)	(141,619)
Cash flows from financing activities		
Dividends paid	(126,000)	(126,000)
Net cash used in financing activities	(126,000)	(126,000)
Net (decrease) in cash and cash equivalents	(387,701)	(259,377)
Cash and cash equivalents at beginning of year	982,749	1,242,126
Cash and cash equivalents at the end of year	595,048	982,749
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	595,048	982,749
	595,048	982,749

The notes on pages 17 to 33 form part of these financial statements.

CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2019

	At 1 January 2019 £	Cash flows £	At 31 December 2019 £
Cash at bank and in hand	982,749	(387,701)	595,048
	982,749	(387,701)	595,048

The notes on pages 17 to 33 form part of these financial statements.

1. General information

The Londonschool 1912 Limited is a private company limited by share capital and registered in England and Wales. Its primary activity is as a holding company.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 January 2014.

2.3 Going concern

The COVID-19 pandemic has had a significant impact on the company's business. The directors have taken a number of actions to address and mitigate the impact and to ensure the business is able to evolve and adapt to the changed circumstances. At the year end the wider group had no external debt and owned a significant freehold property asset. Post year end the directors, with the support of the majority shareholder have successfully used this balance sheet strength to secure the external debt funding needed to cover the company's operational needs and to allow it to invest and develop its offering to meet the changed circumstances. The directors are therefore of the opinion that the company is able to operate as a going concern and therefore have adopted the going concern basis in preparing the financial statements.

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Course Income

Where courses are sold to agents rather than directly to students, revenue is recognised net of agents mark up.

Accomodation Income

The company acts as agent when booking accomodation for students, the company recognises the commission received.

License Income

License income is recognised evenly over the term of the license.

2.5 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Income Statement over its useful economic life.

The estimated useful lives range as follows:

Goodwill	-	5	years

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Freehold property is carried at deemed cost and is not depreciated.

2. Accounting policies (continued)

2.6 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Motor vehicles	-	25% per annum on a straight line basis
Fixtures and fittings	-	25% per annum on a straight line basis
Computer equipment	-	

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.7 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in associates are measured at cost less accumulated impairment.

2.9 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.10 Debtors

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

2. Accounting policies (continued)

2.11 Cash and cash equivalents

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

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.12 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

2.13 Creditors

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

2.14 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

2.15 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2. Accounting policies (continued)

2.16 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of Financial Position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Group keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, profit or loss is charged with fair value of goods and services received.

2.17 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

2.18 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Statement of Financial Position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Statement of Financial Position date.

2.19 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2. Accounting policies (continued)

2.20 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.21 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

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

The directors do not consider there to be any judgments or sources of estimation uncertainty that materially affect the financial statements.

4. Turnover

An analysis of turnover by class of business is as follows:

	2019 £	2018 £
Language course income and associated services	5,216,837	5,131,523
	5,216,837	5,131,523

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	5,005,364	4,930,061
Rest of Europe	211,473	201,462
	5,216,837	5,131,523

5. Operating loss

The operating loss is stated after charging:

	2019 £	2018 £
Amortisation of intangible assets, including goodwill	-	252,206
Depreciation of tangible fixed assets	101,004	106,875
Exchange differences	(15,224)	3,735
Other operating lease rentals	249,036	-
Fees payable to the Group's auditor and its associates for the audit of the Company's annual financial statements	-	42,900

6. Auditors' remuneration

	2019 £	2018 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	12,750	21,440
Fees payable to the Group's auditor and its associates in respect of:		
Other services relating to taxation	5,825	7,000
All other services	2,250	1,540
	20,825	29,980

7. Employees

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

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Wages and salaries	2,734,226	2,882,389	-	-
Social security costs	231,098	237,279	-	-
Wages and salaries	2,734,226	2,882,389	-	-

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

	2019 No.	2018 No.
Employees	86	87

8. Directors' remuneration

Directors remuneration was £106,800 in the year (2018: £nil).

9. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	9,987	(63,056)
	9,987	(63,056)
Total current tax	9,987	(63,056)
Deferred tax		
Origination and reversal of timing differences	(179,882)	1,236
Total deferred tax	(179,882)	1,236
Taxation on loss on ordinary activities	(169,895)	(61,820)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Loss on ordinary activities before tax	(179,429)	(485,747)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	(34,092)	(58,705)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	23,740	(1,879)
Adjustments to tax charge in respect of prior periods	9,987	-
Increase or decrease in pension fund prepayment leading to an increase (decrease) in tax	-	(1,236)
Short term timing difference leading to an increase (decrease) in taxation	3,773	-
Non-taxable income	(23,940)	-
Chargeable gains / (losses)	(201,045)	-
Other differences leading to an increase (decrease) in the tax charge	51,682	-
Total tax charge for the year	(169,895)	(61,820)

Factors that may affect future tax charges

9. Taxation (continued)

There were no factors that may affect future tax charges.

10. Dividends

	2019 £	2018 £
Dividends - ordinary shares	126,000	126,000
	126,000	126,000

11. Tangible fixed assets

Group

	Freehold property £	Short-term leasehold property £	Motor vehicles £	Fixtures and fittings £	Total £
Cost or valuation					
At 1 January 2019	3,000,000	756,944	22,000	2,247,233	6,026,177
Additions	-	42,988	-	11,484	54,472
At 31 December 2019	3,000,000	799,932	22,000	2,258,717	6,080,649
Depreciation					
At 1 January 2019	-	732,649	22,000	2,032,571	2,787,220
Charge for the year on owned assets	-	14,947	-	86,057	101,004
At 31 December 2019	-	747,596	22,000	2,118,628	2,888,224
Net book value					
At 31 December 2019	3,000,000	52,336	-	140,089	3,192,425
At 31 December 2018	3,000,000	24,295	-	214,662	3,238,957

11. Tangible fixed assets (continued)

The net book value of land and buildings may be further analysed as follows:

	2019 £	2018 £
Freehold	3,000,000	3,000,000
Short leasehold	52,336	24,296
	3,052,336	3,024,296

12. Fixed asset investments

Group

	Investments in associate company £
Cost or valuation	
At 1 January 2019	1,847
At 31 December 2019	1,847

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2019	5,500,003
At 31 December 2019	5,500,003

12. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
London School of English and Foreign Languages Limited	Language School	Ordinary	100%
London School of English (Canterbury) Limited	Language School	Ordinary	100%
Bridge Buildings Limited	Property Company	Ordinary	100%
London School of International Communications Limited	Training Organisation	Ordinary	100%
London School of English International Limited	School Franchisor	Ordinary	80%
London School Online Limited	Online Learning Platform	Ordinary	100%

All subsidiary companies are registered at: 15 Holland Park Gardens, London, W14 8DZ. All subsidiaries listed above have been included in the consolidation.

The aggregate of the share capital and reserves as at 31 December 2019 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves £	Profit/(Loss) £
London School of English and Foreign Languages Limited (Reg no. 00522995)	(798,912)	(1,164,982)
The London School of English (Canterbury) Limited (Reg no. 02564901)	(387,316)	(38,532)
Bridge Buildings Limited (Reg no. 02943311)	3,963,044	424,338
London School of International Communications Limited (Reg no. 09559808)	(307,069)	(47,375)
London School of English International Limited (Reg no. 05178280)	(66,673)	-
London School Online Limited (Reg no. 10183067)	(41,182)	18,524

The following subsidiary companies are exempt from the Companies Act requirements relating to the audit of the individual company accounts under section 479A of the Companies Act 2006. Londonschool1912 Ltd has given the guarantee for the following subsidiary companies:

London School of International Communication Limited
London School Online Limited
London School of English International Limited

13. Stocks

	Group 2019 £	Group 2018 £
Stocks	3,490	3,471
	3,490	3,471

The difference between purchase price or production cost of stocks and their replacement cost is not material.

14. Debtors

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Trade debtors	463,881	563,757	-	-
Amounts owed by group undertakings	-	-	35,969	35,969
Amounts owed by joint ventures and associated undertakings	45,276	45,278	-	-
Other debtors	31,773	63,219	-	-
Prepayments and accrued income	303,262	289,474	-	-
	844,192	961,728	35,969	35,969

15. Cash and cash equivalents

	Group 2019 £	Group 2018 £
Cash at bank and in hand	595,048	982,749
	595,048	982,749

16. Creditors: Amounts falling due within one year

	Group 2019 £	Group 2018 £
Trade creditors	226,706	290,167
Other taxation and social security	60,825	72,670
Other creditors	80,055	57,695
Accruals and deferred income	1,266,927	1,455,376
	1,634,513	1,875,908

17. Deferred taxation

Group

	2019 £
At beginning of year	(186,233)
Charged to profit or loss	179,882
At end of year	(6,351)

The provision for deferred taxation is made up as follows:

	Group 2019 £	Group 2018 £
Capital gains	-	(179,882)
Fixed asset timing differences	(6,351)	(6,351)
	(6,351)	(186,233)

18. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
100,200 (2018 - 100,200) Ordinary shares of £0.01 each	1,002	1,002

On the 9 November 2018 the company subdivided it's 1,002 ordinary shares into 100,200 ordinary shares of £0.01 each.

19. Reserves

Share premium account

Share premium represents the consideration received in excess of the nominal value of share capital.

Other reserves

The share option reserve arises from the requirement to refect the fair value of the share options in existence at the reporting date. For further details on the share options see note 23.

Profit and loss account

The profit and loss accounts comprises accumulated results to the reporting date, less and dividends paid.

20. Share based payments

Details of the number of share options outstanding during the year are as follows:

	Weighted average exercise price (£) 2019	Number 2019
Outstanding at the beginning of the year	17.48	11,133
Granted during the year		-
Outstanding at the end of the year	17.48	11,133

The total charge for the year relating to share based payment plans was £5,061 (2018: £35,687). There were no new share options granted during the year. The charge relates to options granted in the prior year which were valued using the Black Scholes Option pricing model and the following input was used in the model to estimate the fair value of the share options in the year of grant.

	2019
Option pricing model used	Black-Scholes
Weighted average share price (£)	17.48
Exercise price (£)	17.48
Weighted average contractual life (years)	10
Expected volatility	25%
Risk-free interest rate	0.741%

	2019 £
Equity-settled schemes	5,061
	5,061

21. Commitments under operating leases

At 31 December 2019 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2019 £	Group 2018 £
Not later than 1 year	260,364	212,135
Later than 1 year and not later than 5 years	394,206	1,047,456
Later than 5 years	-	88,154
	654,570	1,347,745

22. Post balance sheet events

Covid-19 has had a significant impact on trading since the World Health Organisation made the assessment that the coronavirus could be characterized as a global pandemic on 11 March 2020 and the UK lockdown began on 23 March 2020.

The COVID-19 pandemic has had a significant impact on the company's business. The directors have taken a number of actions to address and mitigate the impact and to ensure the business is able to evolve and adapt to the changed circumstances.

We have restructured our workforce, promoted new more agile, flexible ways of working, and made some regrettable redundancies due to lower trading levels. In-line with our operating changes we have also renegotiated forward liabilities associated with the client residences and our second London centre at Westcroft Square and reduced the number of sites we operate out of from three to one. The subsidiary company London School of English (Canterbury) Ltd was placed in to liquidation on 18 June 2020.

Post year end the directors, with the support of the majority shareholder have successfully secured external debt funding needed to cover the company's operational needs and to allow it to invest and develop its offering to meet the changed circumstances

23. Controlling party

Londonschool 1912 Limited is wholly owned by T Blake.