

Company Registration No. 04546335 (England and Wales)

**BPP Professional Education Limited**

**Annual report and financial statements  
for the year ended 31 August 2019**



## **BPP Professional Education Limited**

### **Company information**

---

<b>Directors</b>	Graham Gaddes Gary Dart Timothy Stewart Alison Wells
<b>Company number</b>	04546335
<b>Registered office</b>	BPP House Aldine Place 142-144 Uxbridge Road  London W12 8AA
<b>Independent auditor</b>	Deloitte LLP Statutory Auditor 3 Victoria Square Victoria Street St Albans United Kingdom AL1 3TF
<b>Bankers</b>	Barclays Bank PLC 27 Soho Square London W1D 3QR
<b>Solicitors</b>	Eversheds LLP 1 Wood Street London EC2V 7WS

---

**Contents**

---

	<b>Page</b>
Strategic report	1 - 4
Directors' report	5 - 7
Independent auditor's report	8 - 10
Statement of comprehensive income	11
Statement of financial position	12 - 13
Statement of changes in equity	14
Notes to the financial statements	15 - 35

---

## BPP Professional Education Limited

### Strategic report

For the year ended 31 August 2019

---

The directors present the Strategic report of BPP Professional Education Limited ("the company") for the year ended 31 August 2019.

#### Results and dividends

The trading results for the year ended 31 August 2019, and the company's financial position at the end of the year, are shown in the attached financial statements. No ordinary dividends were paid (2018: £nil). The directors do not recommend payment of a final dividend.

#### Principal activity of the business

The principal activity of the company is the provision of accountancy training through classroom and online courses, and the provision of continuing professional development courses and apprenticeship training in a range of disciplines.

#### Strategic review

		2019	2018 (restated)	% Change
Turnover	£'000's	50,342	44,258	14%
Operating profit	£'000's	3,252	377	763%
Operating margin	%	6%	1%	

The turnover for the year increased by £6.084 million (14%) compared to the prior year, which is due to growth in student volumes in apprenticeship programmes across the product portfolio.

The operating profit of £3.252 million is shown after accounting for £3.538 million of goodwill amortisation. Once goodwill amortisation is removed the 2019 operating profit would be £6.790 million compared with prior year operating profit of £3.915 million (after removing the goodwill amortisation). This represents an increase of £2.875 million which has been generated by more profitable revenue generation and also due to lower accommodation costs following a reduction in property usage, careful management of staff and other operating costs.

Compared with the prior year, the company net assets increased by £27.148 million which occurred as a result of settlement of an intercompany liability. This was the result of an entity restructuring exercise to clear out historic intercompany balances between BPP Holdings Limited and its subsidiaries and maximize distributable reserves.

#### Key performance indicators

The key performance indicators have been identified as turnover, operating margin and regulatory compliance. Turnover and operating margin are discussed in the strategic review above.

#### Regulatory compliance

A key metric of the company performance is holding the appropriate regulatory certification and approvals required to deliver its education courses and generate turnover. As at the date of this report the company continues to meet the ongoing requirements for compliance with the relevant regulatory bodies.

Further discussion on risk management of regulatory compliance can be found under the key risks and uncertainties section of the report.

---

**Key risks and uncertainties**

*Economic and competition risk*

As a late cycle business, the uncertainty in the global economy and the uncertainty caused by the UK leaving the European Union (Brexit) has had a very limited impact on the business in the current year, however it could still represent a risk in the future. The key risk that Brexit represents to the company is predominantly the wider economic impact causing reduced discretionary spend by students and reduced corporate spend on graduate hires. 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 advanced.

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 to the company's clients and continues to deliver products that are relevant to customers and bridge the gap between academia and employability. 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. This will allow the company to respond to changes in economic conditions and competitor actions.

*Business systems and infrastructure*

This 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 services. The company continues to make investments in business systems and working with clients to innovate delivery.

*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 with the requirement for regular Office for Standards in Education (Ofsted) and Education and Skills Funding Agency (ESFA) reviews. 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 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.

**Key risks and uncertainties (continued)**

*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 the new market opportunity. We seek to manage this by maintaining close relationships with key parties involved in policy and funding.

*Credit risk*

The company's principal financial assets are bank balances and cash, and trade and other receivables. The company's credit risk is primarily attributable to its trade 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.

*Liquidity and cash flow risks*

BPP Services Limited manages the BPP Holdings Limited group bank facilities via a robust process of monitoring and review to ensure that the group has adequate facilities available. There is a cash pooling arrangement across all of BPP Holdings Limited subsidiary companies, meaning that they can lend and borrow funds between them where required. BPP Holdings Limited entered into a £10 million revolving credit facility, which expires in April 2024 which is used for general corporate purposes and is available to support any of BPP Holdings Limited subsidiary companies as required. The balance currently drawn down is £0. The cash flow of BPP Professional Education Limited continues to be positive with no external debt financing.

**Future developments**

The directors will continue to monitor the risks disclosed in the Strategic report. The current outlook for BPP Professional Education Limited is positive, given the growth in both revenue and underlying operating profit in the year to 31 August 2019. 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 the company needs to use their core competencies and experience to capitalise on.

The Strategic report was approved by the Board of directors, and signed on its behalf by



.....  
Graham Gaddes

**Director**

28/02/2020  
.....

**Directors' report**

**For the year ended 31 August 2019**

---

The directors present their annual report and audited financial statements for the year ended 31 August 2019.

**Principal activities**

The principal activities along with the company's performance, proposed dividends, outlook, strategy, policies, future developments and risk uncertainties can be found in the Strategic report.

**Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Graham Gaddes  
Gary Dart  
Timothy Stewart  
Alison Wells

**Qualifying third party indemnity provisions**

The company has made qualifying third-party indemnity provisions for the benefit of its directors which were in place throughout the year and remain in force at the date of this report.

**Disabled persons**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and that the 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 involvement**

The company's policy is to consult and discuss with employees, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

There is no employee share scheme at present.



**Re-appointment of 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.

**Statement of directors' responsibilities**

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, 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 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.

**Strategic report**

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's Strategic report information required by Large and Medium-sized Companies and Groups (and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of the company's future developments and financial instruments.

**Statement of disclosure to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information. The confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

**BPP Professional Education Limited**

**Directors' report (continued)**

**For the year ended 31 August 2019**

---

The Directors report was approved by the Board of directors, and signed on its behalf by



.....  
Graham Gaddes

**Director**

Date: 28/02/2020 .....

**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 2019 and of its profit 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.

We have audited the financial statements which comprise:

- the Statement of comprehensive income;
- the Statement of financial position;
- the Statement of changes in equity; and
- the related notes to the financial statements, including a summary of significant accounting policies.

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

**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 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 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.

**Independent auditor's report (continued)**

**To the members of BPP Professional Education Limited**

---

**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 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, 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.

**Statement of directors' responsibilities**

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 Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**BPP Professional Education Limited**

**Independent auditor's report (continued)**

**To the members of BPP Professional Education Limited**

---

**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 our 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 have 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 material misstatements in the Strategic report and the Directors' report.

**Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, 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

28 February 2020

**Statutory Auditor**  
**St Albans**  
**United Kingdom**

**BPP Professional Education Limited****Statement of comprehensive income****For the year ended 31 August 2019**

		<b>2019</b>	<b>2018</b>
	<b>Notes</b>	<b>£'000</b>	<b>as restated £'000</b>
<b>Turnover</b>	<b>3</b>	50,342	44,258
Cost of sales		(27,894)	(25,850)
<b>Gross profit</b>		<u>22,448</u>	<u>18,408</u>
Administrative expenses		(19,196)	(18,031)
<b>Operating profit</b>	<b>4</b>	<u>3,252</u>	<u>377</u>
Interest payable and similar expenses	<b>7</b>	(322)	(533)
<b>Profit/(loss) before taxation</b>		<u>2,930</u>	<u>(156)</u>
Tax on profit/(loss)	<b>8</b>	(782)	(833)
<b>Profit/(loss) for the financial year</b>		<u><u>2,148</u></u>	<u><u>(989)</u></u>

The Statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

There were no recognised gains or losses other than those recognised through the Statement of comprehensive income.

**BPP Professional Education Limited**

**Statement of financial position**

**As at 31 August 2019**

		<b>2019</b>		<b>2018</b> <b>as restated</b>	
	<b>Notes</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Fixed assets</b>					
Goodwill	<b>9</b>		17,692		21,230
Other intangible assets	<b>9</b>		9		-
Total intangible assets			17,701		21,230
Tangible assets	<b>10</b>		20		44
			17,721		21,274
<b>Current assets</b>					
Debtors falling due within one year	<b>11</b>	16,482		12,847	
Restricted cash	<b>12</b>	80		42	
Cash at bank and in hand		3,393		3,777	
		19,955		16,666	
<b>Creditors: amounts falling due within one year</b>	<b>13</b>	(9,588)		(37,283)	
<b>Net current assets/(liabilities)</b>			10,367		(20,617)
Debtors falling due after more than one year	<b>11</b>		2,685		3,064
<b>Total assets less current liabilities</b>			30,773		3,721
<b>Provisions for liabilities</b>	<b>14</b>		(410)		(506)
<b>Net assets</b>			30,363		3,215
<b>Capital and reserves</b>					
Called up share capital*	<b>17</b>		-		646
Share premium account*			-		60,454
Capital contribution reserve			25,000		-
Profit and loss reserve			5,363		(57,885)
<b>Total equity</b>			30,363		3,215

\*= amount less than £1,000, due to rounding.

**BPP Professional Education Limited**

**Statement of financial position (continued)**

**As at 31 August 2019**

---

The financial statements were approved by the board of directors and authorised for issue on 28/02/2020  
and are signed on its behalf by:

  
.....

Gary Dart  
Director

**Company Registration No. 04546335**



**BPP Professional Education Limited**

**Statement of changes in equity**

**For the year ended 31 August 2019**

	Notes	Called up share capital £'000	Share premium account £'000	Capital contribution reserve £'000	Profit and loss reserve £'000	Total £'000
<b>Balance at 1 September 2017</b>		646	60,454	-	(56,896)	4,204
<b>Year ended 31 August 2018:</b>						
Loss and total comprehensive expense for the year		-	-	-	(989)	(989)
<b>Balance at 31 August 2018</b>		646	60,454	-	(57,885)	3,215
<b>Year ended 31 August 2019:</b>						
Profit and total comprehensive income for the year		-	-	-	2,148	2,148
Capital contribution	18	-	-	25,000	-	25,000
Capital reduction	17	(646)	(60,454)	-	61,100	-
<b>Balance at 31 August 2019</b>		-	-	25,000	5,363	30,363

**1 Accounting policies**

**Company information**

BPP Professional Education Limited is a private company limited by shares incorporated in the United Kingdom and registered in England and Wales. The registered office is BPP House, Aldine Place, 142-144 Uxbridge Road, London, W12 8AA.

**1.1 Accounting convention**

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

The financial statements have been prepared with early application of the FRS 102 Triennial Review 2017 amendments in full.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income; and
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The results of BPP Professional Education Limited are included in the consolidated financial statements of Socrates Global Parent Limited, which are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

**1 Accounting policies (continued)**

**1.2 Prior period reclassification**

During the current year, the company reclassified £4.234 million from administrative expenses to cost of sales to give a more accurate reflection of the type of costs incurred. As such, this impacts the comparative information as costs have been reclassified. We have also reclassified restricted cash £0.004 million in the Statement of financial position to move it out of cash at bank and in hand as this relates to employer apprenticeship funds paid to the company who then pay this over employers.

**1.3 Going concern**

The company's business activities, together with the factors likely to affect its future development and position, are set out within 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 has committed through a Letter of Support that it will lend as is necessary to this entity to pay the debts of BPP Professional Education Limited as they become due. Having assessed the responses of 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.

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of this report. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

**1.4 Turnover**

Turnover represents the invoiced amount of goods and services provided. Turnover 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.

**1 Accounting policies (continued)**

**1.5 Intangible fixed assets - goodwill**

Goodwill arising on acquisitions is capitalised, classified as an asset on the Statement of financial position 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.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values.

**1.6 Intangible fixed assets other than goodwill**

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values on a straight line basis over their useful lives on the following basis:

Software & licences	over three years
---------------------	------------------

The period of amortisation will depend on the period the company is expected to benefit.

**1.7 Tangible fixed assets**

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

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

Short leasehold	over the duration of the lease
Office equipment	over three years
Fixtures and fittings	over five years

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

**1 Accounting policies (continued)**

**1.8 Impairment of fixed assets**

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

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

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

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

**1.9 Cash at bank and in hand**

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

**1.10 Financial instruments**

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

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

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

***Basic financial assets***

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

**1 Accounting policies (continued)**

***Impairment of financial assets***

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

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

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

***Derecognition of financial assets***

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

***Classification of financial liabilities***

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

***Basic financial liabilities***

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

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

***Derecognition of financial liabilities***

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

**1 Accounting policies (continued)**

**1.11 Equity instruments**

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

**1.12 Taxation**

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

***Current tax***

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

***Deferred tax***

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

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

**1 Accounting policies (continued)**

**1.13 Provisions**

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

**Dilapidations 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 leasehold costs. Estimates are discounted at a pre-tax rate that reflects current market assessment of the time value of money.

**1.14 Employee benefits**

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

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

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

**1.15 Retirement benefits**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Any difference between the amount due and paid is recorded on the Statement of financial position.

**1.16 Leases**

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.



## **2 Critical accounting judgements and key sources of estimation uncertainty**

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

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

### **Critical judgements**

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

### **Goodwill valuation**

The company has goodwill which is subject to annual impairment reviews. The valuation of goodwill is underpinned by the current performance and future trading prospects of the organization. This assessment relies on estimates and assumptions and may involve a series of complex judgements about future events.

### **Key Sources of estimation uncertainty**

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

### **Provisions**

Provisions are made for dilapidations and taxation. These provisions require the director's best estimates of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present values of the obligation require the judgement of directors.

### **Taxation**

The company is subject to income taxes, and judgement and estimates of future profitability are required to determine the company's deferred tax position. If the final tax outcome is different to that assumed, resulting changes will be reflected in the Statement of comprehensive income, unless the tax relates to an item charged to equity. The company believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgements about future events. To the extent that the final tax outcome of these matters is different than the amount recorded, such differences will impact income tax expense in the period in which such determination is made.

**3 Turnover and other revenue**

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

The company operates in three geographical markets, the United Kingdom, Europe and the Rest of the World.

An analysis of turnover is provided below:

	2019 £'000	2018 £'000
United Kingdom	49,219	43,587
Europe	565	292
Rest of the World	558	379
	<u>50,342</u>	<u>44,258</u>

**4 Operating profit**

	2019 £'000	2018 £'000
Operating profit for the year is stated after charging:		
Fees payable to the company's auditor for the audit of the company's financial statements	59	60
Depreciation of owned tangible fixed assets	10	68
Amortisation of intangible assets – goodwill	3,538	3,538
Amortisation of intangible assets other than goodwill	5	-
Operating lease charges	<u>373</u>	<u>428</u>

**5 Employees**

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

	<b>2019</b>	<b>2018</b>
	<b>Number</b>	<b>Number</b>
Education delivery	232	197
Administration and services	45	58
	<u>277</u>	<u>255</u>

Their aggregate remuneration comprised:

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	12,102	11,764
Social security costs	1,236	1,213
Pension costs	564	485
	<u>13,902</u>	<u>13,462</u>

In the current year 113 (2018: 128) employees of BPP University Limited performed services for BPP Professional Education Limited. This resulted in staff cost recharges to this entity of £4.500 million (2018: £4.775 million) and as such, these costs were borne by BPP Professional Education Limited. The staff costs and staff numbers after these recharges were:

**BPP Professional Education Limited****Notes to the financial statements (continued)****For the year ended 31 August 2019**

---

**5 Employees (continued)**

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

	<b>2019</b>	<b>2018</b>
	<b>Number</b>	<b>Number</b>
Education delivery	222	197
Administration and services	168	186
	<u>390</u>	<u>383</u>

Their aggregate remuneration comprised:

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	16,044	15,981
Social security costs	1,629	1,645
Pension costs	729	612
	<u>18,402</u>	<u>18,238</u>

**6 Directors' remuneration**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Remuneration for qualifying services	399	357
Company pension contributions to defined contribution	12	10
	<u>411</u>	<u>367</u>

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Remuneration for qualifying services	135	115
Company pension contributions to defined contribution schemes	5	4
	<u>140</u>	<u>119</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 subsidiaries and not included in directors' emoluments disclosed above was £0.813 million (2018: £0.876 million). In addition, three out of four of 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.

**BPP Professional Education Limited****Notes to the financial statements (continued)****For the year ended 31 August 2019****7 Interest payable and similar expenses**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Interest on bank overdrafts and loans	-	1
Interest payable to group undertakings	322	523
Unwinding of discount on provisions	-	9
	<u>322</u>	<u>533</u>

**8 Taxation**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current tax</b>		
UK corporation tax on profits/(losses) for the current year	<u>403</u>	<u>122</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	<u>379</u>	<u>711</u>
<b>Total tax charge</b>	<u>782</u>	<u>833</u>

**8 Taxation (continued)**

The actual charge for the year can be reconciled to the expected charge/(credit) for the year based on the profit or loss and the standard rate of tax as follows:

	2019 £'000	2018 £'000
Profit/(loss) before taxation	2,930	(156)
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	557	(30)
Tax effect of expenses that are not deductible in determining taxable profit	1,156	679
Depreciation on assets not qualifying for tax allowances	(69)	(58)
Adjustments in respect of prior years	(150)	(474)
Unutilised tax losses carried forward	(1,189)	-
Deferred Tax charge	379	711
Other timing differences	98	5
Taxation charge for the year	782	833

The United Kingdom corporate tax rate has continually decreased over the past few years. Pursuant to the UK Finance Act 2016 passed on 15 September 2016, the United Kingdom corporate tax rate was cut from the 19% rate applying from 1 April 2017 to 17% beginning on 1 April 2020.

**9 Intangible fixed assets**

	<b>Goodwill £'000</b>	<b>Software £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1 September 2018	57,378	-	57,378
Transfers	-	15	15
At 31 August 2019	57,378	15	57,393
<b>Amortisation and impairment</b>			
At 1 September 2018	36,148	-	36,148
Amortisation charged for the year	3,538	5	3,543
Transfers	-	1	1
At 31 August 2019	39,686	6	39,692
<b>Carrying amount</b>			
At 31 August 2019	17,692	9	17,701
At 31 August 2018	21,230	-	21,230

**10 Tangible fixed assets**

	<b>Short leasehold £'000</b>	<b>Office equipment £'000</b>	<b>Fixtures and fittings £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 1 September 2018	383	1,435	360	2,178
Transfers	-	(15)	-	(15)
At 31 August 2019	383	1,420	360	2,163
<b>Depreciation and impairment</b>				
At 1 September 2018	360	1,421	353	2,134
Depreciation charged in the year	9	-	1	10
Transfers	-	(1)	-	(1)
At 31 August 2019	369	1,420	354	2,143
<b>Carrying amount</b>				
At 31 August 2019	14	-	6	20
At 31 August 2018	23	14	7	44



**11 Debtors**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Amounts falling due within one year:</b>		
Trade debtors	4,900	6,371
Corporation tax recoverable	246	126
Intercompany in respect of Group corporation tax relief	-	1,026
Amounts owed by parent undertaking	1,989	-
Amounts owed from fellow subsidiaries	1,122	83
Other debtors	196	296
Prepayments	187	97
Accrued income	7,842	4,848
	<u>16,482</u>	<u>12,847</u>

Amounts owed from group undertakings falling due within one year represent loans repaid every quarter and trading balances at arm's length settled monthly. Interest is charged on the loan balances at 1.75% above the monthly LIBOR rate.

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Amounts falling due after more than one year:</b>		
Deferred tax asset (note 15)	<u>2,685</u>	<u>3,064</u>
<b>Total debtors</b>	<u>19,389</u>	<u>15,911</u>

**12 Restricted cash**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Employer apprenticeship funds	<u>80</u>	<u>42</u>

**13 Creditors: amounts falling due within one year**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	79	269
Amounts owed to parent undertaking	1,177	27,365
Amount owed to fellow subsidiaries	950	2,710
Taxation and social security	1,221	1,441
Deferred income	1,007	716
Fees received in advance	2,867	3,209
Other creditors	251	295
Accruals	2,036	1,278
	<u>9,588</u>	<u>37,283</u>

Amounts owed to group undertakings falling due within one year represent loans repaid every quarter and trading balances at arm's length settled monthly. Interest is charged on the loan balances at 1.75% above the monthly LIBOR rate.

**14 Provisions for liabilities**

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
Dilapidations provision	177	271
Other provision	233	235
	<u>410</u>	<u>506</u>

**Movements on provisions:**

	<b>Dilapidations provision £'000</b>	<b>Other provision £'000</b>	<b>Total £'000</b>
At 1 September 2018	271	235	506
Utilisation of provision	(94)	(2)	(96)
At 31 August 2019	<u>177</u>	<u>233</u>	<u>410</u>

***Dilapidations***

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 provisions***

Other provisions relate 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.

**15 Deferred taxation**

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

	<b>Assets 2019 £'000</b>	<b>Assets 2018 £'000</b>
<b>Balances:</b>		
Accelerated capital allowances	350	345
Tax losses	2,085	2,560
Other timing differences	250	159
	<u>2,685</u>	<u>3,064</u>
<b>Movements in the year:</b>		<b>2019 £'000</b>
Asset at 1 September 2018		(3,064)
Charge to profit or loss		<u>379</u>
Asset at 31 August 2019		<u>(2,685)</u>

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

**16 Retirement benefit schemes**

	<b>2019 £'000</b>	<b>2018 £'000</b>
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	<u>576</u>	<u>485</u>

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

**17 Share capital**

	2019 £'000	2018 £'000
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
1 (2018: 1) Ordinary share of £1 each	-	-
	-	-
<b>Preference share capital</b>		
<b>Issued and fully paid</b>		
0 (2018: 64,626,081) Irredeemable preference shares of 1p each	-	646
	-	646

During the current year, the company performed a preference share capital reduction, which reduced Irredeemable preference shares and the share premium account to £nil and this was transferred to the profit and loss reserves. At 31 August 2019 there is 1 Ordinary share of par value £1.

The preference shares were irredeemable and carried no voting rights. They carried 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 had 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 would also receive £0.99 per each irredeemable preference share held at the date of winding up.

**18 Reserves****Capital Contribution Reserve**

During the current year, £25.000 million of the amounts owed to group undertakings was waived through the receipt of a capital contribution from the company's parent. This was the result of an entity restructuring exercise to clear out historic intercompany balances between BPP Holdings Limited and its subsidiaries and maximize distributable reserves.

The capital contribution increased BPP Professional Education Limited other reserves and decreased the amounts owed to group undertakings.

**19 Operating lease commitments**

**Lessee**

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Within one year	<u>13</u>	<u>9</u>

There are no financial commitments greater than one year.

**20 Ultimate controlling party**

In the opinion of the directors, the company's ultimate parent is Apollo Global Management, Inc., a company incorporated in the United States.

The parent undertaking of the largest and smallest group, which includes the company and for which group financial statements 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, England and Wales, 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.