BPP University College of Professional Studies Limited

Report and Financial Statements

31 August 2012

Registered no 02609100

DIRECTORS
Amanda Blackmore
Christopher Brady (resigned 09/11/11)
Peter Crisp
Edward Kennedy (resigned 02/02/12)
Richard Simmons
William Etchell (appointed 04/11/11)
Roland Kaye (appointed 15/09/11)
Carl Lygo
Christina Cunliffe (appointed 04/11/11)
Nicola Nicholls
Chris Ross Roberts (resigned 22/09/11)
Graham Gaddes (appointed 14/05/12)

AUDITOR
Deloitte LLP
Chartered Accountants and Statutory Auditor
London

BANKERS
Barclays Bank PLC
27 Soho Square
London W1D 3QR

SOLICITORS
Eversheds LLP (Company No OC304065)
One Wood Street
London
EC2V 7WS

REGISTERED OFFICE
BPP House
142-144 Uxbridge Road
London
W12 8AA

Directors' report

The directors present their report and financial statements for the year ended 31 August 2012

Results and dividends

The trading results for the year to 31 August 2012, and the company's financial position at the end of the year, are shown in the attached financial statements

The profit and loss account for the year shows a profit after tax of £2,468,000 (2011 £2,946,000) The directors have not recommended a dividend (2011 £nil)

Principal activity of the business

Law School

The principal activity of the Law School is the provision of legal education through full-time and part-time study The largest programmes for the year continued to be the Legal Practice Course (LPC) and the Graduate Diploma in Law (GDL), with two start dates in the year on the full-time programmes The Law School numbers for its Bachelor of Laws (LLB) degree programme and its Master's degrees (LLMs) were encouraging in the light of the market challenges and the demand for the Bar Vocational Course in London and Leeds remained constant

Business school

The principal activity of the Business School is the provision of a range of Bachelors and Master's Degree programmes Degree programmes offered included business studies, accounting, finance, management, HR and marketing In addition to the study centre in the City of London, from September 2011 the Business School now offers some of its programmes from Birmingham and Manchester During the year the Business School increased its intake of international students, in particular on its MSc Management

School of Health

As part of its strategy to move into health education, BPP University College launched its School of Health in September 2011, incorporating McTimoney College of Chiropractic A number of new programmes have been approved and developed during the year, including a BSc (Hons) Psychology, which has commenced with British Psychological Society approval in September 2012, a BSc (Hons) Nursing (Diploma to Degree) and a Level 4 HE Certificate in Health and Social Care, both to be launched in January 2013 The School has also validated and developed a Mentorship Programme for nurses and a range of CPD courses for doctors and other health professionals due to be delivered in the coming year

School of Foundation and English Language Studies

This new School was launched on 1 September 2012, following the introduction of a range of foundation and pathway programmes for home and international students in September 2011, to widen access to BPP University College's degree programmes The School also offers English language programmes to help international students improve their level of English prior to and during their studies During the year, new programmes in health have been approved in addition to the existing programmes in legal and business studies The pathway programmes enable students to learn the core knowledge and skills to progress on to their chosen degree on successful completion of the programme

Financial review

Turnover has increased by £4,189,000 (9%) compared with the prior year, and operating profit (operating margin) has decreased by £499,000 (20%) compared with the prior year Net assets have increased by £2,468,000 (10%) reflecting the profit for the year The increase in turnover is attributable to higher enrolments for a number of courses and additional course intakes being introduced in the year

Directors' report (continued)

Analysis of key performance indicators

The key performance indicators have been identified as turnover, operating margin and number of new enrolments which are discussed in the financial review above

		2012	2011	% Change
Turnover	£'000's	50,627	46,438	9%
New enrolments	No	5,880	5,078	16%
Operating profit	£'000's	1,944	2,443	(20%)
Operating margin	%	4%	5%	

Key Risks and Uncertainties

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

Economy and Competition

As a late cycle business, the downturn in global and UK economies has had some impact on our business and the economic downturn continues to be a risk for the future The Company seeks to address these risks by maintaining its high standards of training provision in order to be the provider of choice for our students, closely monitoring the economic outlook and by having flexible resources available so it is able to respond to changes in economic conditions

Changes to student funding arrangements from September 2012 are likely to result in opening up the market to new competitors as well as additional regulation and disclosure requirements for the Company Although this results in a risk of increased competition, it is also an opportunity for the Company as it will allow students to differentiate between providers of higher education based on price and the services they receive and will therefore enable the company to demonstrate that it can provide high quality education at a competitive price relative to its competitors

Compliance and Regulatory Risk

The Company operates in highly regulated markets where changes to Government policy, such as changes to student fees or the availability of student funding, can have an impact on our business

The Company was awarded Degree Awarding Powers by the Privy Council in 2007 This is granted for 6 years and reassessed by the Quality Assurance Agency (QAA) The Company has a documented Governance structure, policies and procedures in place to ensure we meet the QAA criteria Both the Governance structure and our performance against the QAA criteria are regularly reviewed to ensure compliance

The Company is required to attain Highly Trusted Status (HTS) from the UK Boarder Agency (UKBA) in order to sponsor international students who want to study at BPP University College We have policies and procedures in place to ensure the admissions and monitoring processes for international students are sufficiently robust to ensure compliance with the requirement of HTS The Company successfully retained HTS from the UKBA in August 2012 This will help us to build momentum in the international recruitment market and we expect enrolments to increase as a result

Reputation Risk

BPP's 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 In the event that our brand or reputation is damaged, this could impact on the marketing of the Company's products and services To prevent this we have many quality assurance mechanisms to ensure that our teaching and 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

Directors' report (continued)

place to mitigate the financial impact of disruption to the business and alternative potential resources are identified

Credit risk

Credit risk refers to the risk that a counterparty will default on any type of debt by failing to make payments in accordance with agreed terms The Company has mechanisms in place to monitor and control potential defaulters Our collection procedures are enforced rigorously to ensure customers meet their payment obligations In pursuing the payment of overdue sums the Company utilises all of the methods available to it in law

Liquidity and Cash Flow Risks

BPP Holdings Ltd manages the Group's bank facilities and the policy is to ensure that the Group has adequate committed bank facilities available and operates within its covenants Further detail on liquidity risk can be found in note 16

Outlook

It is difficult to predict the impact that current economic conditions may have on the business However the company is cautiously optimistic that it will grow enrolments in the future due to additional programmes being developed and delivered

Going Concern

After making enquiries the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the Company financial statements Refer to note 1 to financial statements for further details

Directors

The directors who served during the year or were subsequently appointed were as follows

Amanda Blackmore	
Christopher Brady	(resigned 04/11/11)
Peter Crisp	
Edward Kennedy	(resigned 02/02/12)
Carl Lygo	
Nicola Nicholls	
Chris Ross-Roberts	(resigned 22/09/11)
Richard Simmons	
William Etchell	(appointed 04/11/11)
Christina Cunliffe	(appointed 04/11/11)
Roland Kaye	(appointed 15/09/11)
Graham Gaddes	(appointed 14/05/12)

Employment Policies

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

Openness

The Company provides a high degree of openness and transparency on its activities and performance through information and communication with employees An employee feedback questionnaire is collated annually from all employees and the results used to help develop policy and procedures

Performance and merit

Employees agree personal objectives and performance is monitored by appraisals A structured approach is adopted to promotions and external recruitment that recognises the capability of individuals and ensures the most suitable person is selected for positions Employee salaries are benchmarked, where feasible, against market data for equivalent roles in other businesses

Directors' report (continued)

Flexible working
The Company encourages family friendly working practices such as flexible working hours and recognises that experienced employees returning to work following maternity, paternity or other career breaks are an asset The Company operates a salary sacrifice scheme that allows employees to exchange salary for additional holidays and childcare vouchers

Equality of opportunity
Company policy is that no person receives more or less favourable treatment on the grounds of gender, age, race, colour, nationality, ethnic or national origin, marital status, part-time status, sexual orientation, home responsibility, disability, and political or religious belief The Human Resources function monitors and reports on compliance with the policy to develop practices and procedures that ensure equality of opportunity in the recruitment, selection and promotion of employees Grievance and disciplinary procedures protect employees and students from discriminatory behaviour based on racist, sexist and other prejudiced attitudes The Company recognises the importance in promoting its equal opportunity policy through the whole recruitment process It focuses on applying non-discriminatory treatment to all potential and actual applicants and to comply with the relevant legislative requirements

Disability
BPP Company practice is to provide a suitable environment for working and studying for people with disabilities and to support and help employees who become disabled during their working life

Training and development
Employees have the opportunity to attend appropriate courses from the wide range of courses provided by the Group as well as externally Academic staff are encouraged to attend a minimum of 5 days of training per year to enhance their teaching, professional competence and scholarship

Payment Policy for Suppliers
It is the Company's policy that payments to suppliers are made in accordance with the terms and conditions agreed between the Company and its suppliers, provided that all trading terms and conditions have been complied with At 31 August 2012, the Company had an average of 15 days (2011 38 days) purchases outstanding in trade creditors

Distributable Reserves
Due to statutory restrictions, BPP University College of Professional Studies Limited retained earnings of £26,533,000 (2011 £24,065,000) that are not currently distributable, as stated in the Articles of Association

Corporate Governance
BPP University College Board of Directors follows the "Corporate Governance Guide and Principles for Unlisted Companies in the UK" (an initiative of the IoD and ecoDA) The relevant principles that apply to BPP University College are the phase 1 principles and the Board is satisfied that it complies with all relevant principles

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

Re-appointment of auditor
A resolution to reappoint Deloitte LLP as auditor will be put to the members at the Annual General Meeting

By order of the Board

Carl Lygo
Director
Date 20 December 2012

Directors' responsibilities statement

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) 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 judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, 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

INDEPENDENT AUDITOR'S REPORT

To the members of BPP University College of Professional Studies Limited

We have audited the financial statements of BPP University College of Professional Studies Limited for the year ended 31 August 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 21 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditor
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 Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 August 2012 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

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

INDEPENDENT AUDITOR'S REPORT

To the members of BPP University College of Professional Studies Limited

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,

Sarah Shillingford

Sarah Shillingford FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
Date 20th December 2012

Profit and loss account

for the year ended 31 August 2012

	Notes	Year ended 31 August 2012 £'000	Year ended 31 August 2011 £'000
TURNOVER	2	50,627	46,438
Cost of sales		(31,083)	(28,653)
GROSS PROFIT		19,544	17,785
Administrative expenses		(17,600)	(15,342)
OPERATING PROFIT	3	1,944	2,443
Interest income	4	1,572	1,807
Interest cost	5	(169)	(22)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,347	4,228
Tax on profit on ordinary activities	8	(879)	(1,282)
PROFIT FOR THE YEAR		2,468	2,946

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

Statement of total recognised gains and losses

for the year ended 31 August 2012

There were no recognised gains or losses other than the profit for the year of £2,468,000 (2011 £2,946,000)

Balance sheet

as at 31 August 2012

Company No 02609100

	Notes	2012 *£'000*	2011 *£'000*
FIXED ASSETS			
Intangible fixed assets	9	–	–
Tangible fixed assets	10	1,931	2,051
		1,931	2,051
CURRENT ASSETS			
Stocks	11	339	258
Debtors falling due within one year	12	34,684	28,632
Debtors falling due after one year	12	22,027	21,942
Cash at bank and in hand		7,108	2,598
		64,158	53,430
CREDITORS amounts falling due within one year	14	(33,257)	(29,733)
NET CURRENT ASSETS		30,901	23,697
TOTAL ASSETS LESS CURRENT LIABILITIES		32,832	25,748
CREDITORS amounts falling due after more than one year	15	(5,147)	(1,090)
Provision for liabilities	16	(1,152)	(593)
TOTAL NET ASSETS		26,533	24,065
CAPITAL AND RESERVES			
Called up share capital	17	-	-
Profit and loss account	18	26,533	24,065
EQUITY SHAREHOLDERS' FUNDS	18	26,533	24,065

William Etchell

Director

Date 20 December 2012

Notes to the financial statements

as at 31 August 2012

1. **ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 August 2011

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards

Going Concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out on pages 2 to 6 of the Directors' Report

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

BPP Holdings Ltd has committed that it will lend as is necessary to this entity to pay the debts of BPP University College of Professional Studies Ltd as they become due for a period up to 31 March 2014 Having assessed the responses of the directors of BPP Holdings Ltd, 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 University College of Professional Studies Limited to continue as a going concern

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

Tangible fixed assets

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

Fixtures and fittings	–	over five years
Office equipment	–	over three years
Validation Costs	–	over five years
Leasehold	–	over the life of the lease

Impairment

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

An asset's carrying amount is written down immediately to its recoverable amount (the higher of an asset's fair value less costs to sell and its value in use) if the asset's carrying amount is greater than its estimated recoverable amount

Intangible fixed assets

Licences acquired are capitalised at cost and amortised over their expected useful life of three years

Stocks

Stocks are principally books, which are stated at the lower of cost and net realisable value External creative costs and artwork costs of new titles are absorbed into the cost of the first print run Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale

Notes to the financial statements

as at 31 August 2012

1. ACCOUNTING POLICIES (CONTINUED)

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

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

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold,

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

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

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

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

Rendering of services
When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the balance sheet date The outcome of a transaction can be estimated reliably when all the following conditions are satisfied the revenue can be measured reliably, it is probable that the economic benefits will flow to the entity, the stage of completion at the balance sheet date can be measured reliably, and the costs relating to the transaction can be measured reliably

Statement of cash flows
In accordance with FRS 1 (revised) the Company has not prepared a statement of cash flows as its ultimate parent undertaking, Apollo Group Inc, produces publicly available consolidated financial statements

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

Notes to the financial statements

as at 31 August 2012

2. TURNOVER

Turnover and pre-tax results are attributable to the continuing principal activity of the Company, the provision of education All turnover derives from the United Kingdom and represents the invoiced amount of goods and services provided during the year Amounts invoiced but unearned at the year end are treated as deferred revenue

3. OPERATING PROFIT

Operating profit is stated after charging

	Year ended 31 August 2012 *£ 000*	Year ended 31 August 2011 *£'000*
Depreciation	595	670
Fees payable to the Company's auditor for the audit of the Company's annual accounts	44	44
Operating lease rentals – leasehold property	3,783	4,101

4. INTEREST INCOME

	Year ended 31 August 2012 *£'000*	Year ended 31 August 2011 *£'000*
Interest on standing orders	-	14
Interest other	33	-
Interest on intercompany balances	1,539	1,793
	1,572	1,807

5. INTEREST COST

	Year ended 31 August 2012 *£'000*	Year ended 31 August 2011 *£'000*
Parent company – loan interest	142	-
Unwinding of discount on dilapidation provision	27	22
	169	22

Notes to the financial statements

as at 31 August 2012

6. DIRECTORS' REMUNERATION

	Year ended 31 August 2012 *£'000*	Year ended 31 August 2011 *£'000*
Emoluments	481	830
Company contribution to pension schemes	4	-
	485	830

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

Emoluments	245	151
Company contribution to pension schemes	4	-
	249	151

The amount remunerated to directors of the Company by its parent – BPP Holdings Ltd – and not included above was £1,197,000 These directors provided their services to the BPP Group

7. STAFF COSTS

Staff costs during the year amounted to

	Year ended 31 August 2012 *£'000*	Year ended 31 August 2011 *£'000*
Wages and salaries	29,031	16,708
Other Pension costs	93	-
Social security costs	3,153	1,820
	32,277	18,528

During the year a number of staff contracts were transferred from BPP Services Ltd to this Company These staff costs are recharged across the BPP Group on a quarterly basis, therefore the overall impact on the profit and loss account is nil

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

The monthly average number of employees during the year was

	No	*No*
Tutors	242	236
Administration and services	397	157
Customer services	1	19
Other	31	52
	671	464

Notes to the financial statements

as at 31 August 2012

8 TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) *Analysis of charge in the year*

	Year ended 31 August 2012 £'000	Year ended 31 August 2011 £'000
UK corporation tax		
Tax (over)/under provided in prior years	(96)	71
Group relief payable	1,060	1,320
	964	1,391
Deferred tax (note 13)		
Origination and reversal of timing differences – current-year credit	(148)	(115)
Origination and reversal of timing differences – prior-year credit	(45)	(85)
Decrease in tax rate	108	91
	(85)	(109)
Tax on profit on ordinary activities	879	1,282

(b) *Factors affecting current tax charge for the year*

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK The differences are explained below

	Year ended 31 August 2012 £'000	Year ended 31 August 2011 £'000
Profit on ordinary activities before tax	3,347	4,228
Profit on ordinary activities multiplied by the rate of corporation tax in the UK of 25 17% (2011 27 17%)	842	1,149
Effect of		
Disallowed expenses and non-taxable income	70	48
Tax (over)/under provided in prior periods	(96)	71
Depreciation in excess of capital allowances	117	133
Other timing differences	31	(10)
Current tax charge for the year	964	1,391

The Finance Act 2012, which provides for a reduction in the main rate of UK Corporation Tax from 26% to 24%, effective 1 April 2012, and a further reduction to 23%, effective 1 April 2013, was substantively enacted on 17 July 2012 The future reduced rate has been reflected in the calculation of deferred tax

The government has also announced that it intends to introduce a further 1% reduction in the main Corporation Tax rate to 22%, applicable from 1 April 2014 This further reduction has not been substantively enacted at the balance sheet date and is therefore not reflected in these financial statements

Notes to the financial statements

as at 31 August 2012

8. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

(c) Factors that may affect future tax charges

The Company has unutilised capital losses of £75,000 (2011 - £75,000) which can be carried forward indefinitely and offset against future capital gains No deferred tax asset has been recognised as there is uncertainty as to whether there will be suitable future gains from which these can be deducted

9. INTANGIBLE FIXED ASSETS

	Licences £'000
Cost	
As at 1 September 2011	105
At 31 August 2012	105
Amortisation	
As at 1 September 2011	105
At 31 August 2012	105
Net book value	
At 31 August 2012	-
At 31 August 2011	-

10. TANGIBLE FIXED ASSETS

	Validation Costs £'000	*Leasehold £'000*	*Fixtures & fittings £'000*	*Office equipment £'000*	*Total £'000*
Cost					
At 1 September 2011	9	3,193	2,114	2,781	8,097
Additions	-	372	35	120	527
Disposals	(9)	-	(197)	-	(206)
Group transfers in	-	-	3	7	10
Reclassifications	-	(25)	25	-	-
At 31 August 2012	-	3,540	1,980	2,908	8,428
Depreciation					
At 1 September 2011	9	1,786	1,638	2,613	6,046
Provided during year	-	219	196	180	595
Disposals	(9)	-	(137)	-	(146)
Group transfers in	-	-	-	2	2
At 31 August 2012	-	2,005	1,697	2,795	6,497
Net book value					
At 31 August 2012	-	1,535	283	113	1,931
At 31 August 2011	-	1,407	476	168	2,051

Notes to the financial statements

as at 31 August 2012

11 STOCKS

	2012	2011
	£'000	*£'000*
Finished goods – books held for resale	339	258

12. DEBTORS

	2012	2011
	£'000	*£'000*
Trade debtors	13,041	5,305
Amounts due from fellow subsidiary undertakings	20,172	22,604
Amounts due from parent undertakings	932	-
Corporation tax	1	-
Other debtors	167	137
Prepayments and accrued income	371	586
	34,684	28,632

Amounts falling due after more than one year are

	2012	2011
	£'000	*£'000*
Amounts due from fellow subsidiary undertakings	20,800	20,800
Deferred tax (note 13)	1,227	1,142
	22,027	21,942

From 1 January 2012 interest is charged on all intercompany loan amounts at the rate of LIBOR + 1 75%
Prior to this the rate was LIBOR + 3 25%

Notes to the financial statements

as at 31 August 2012

13 DEFERRED TAX ASSET

	2012	2011
	£'000	*£'000*
At 1 September	1,142	1,033
Arising in the year	85	109
At 31 August	1,227	1,142

Deferred tax provided consists of

	2012	2011
	£'000	*£'000*
Depreciation in excess of capital allowances	1,008	985
Other timing differences	219	157
	1,227	1,142

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012	2011
	£'000	*£'000*
Trade creditors	285	287
Intercompany in respect of Group Corporation Tax Relief	2,467	3,303
Amounts due to parent undertaking	143	7
Amounts due to fellow subsidiary undertakings	217	35
Rent free provision	49	39
Other creditors	3,233	1,799
Advance payments received from customers	10,285	11,416
Deferred revenue	14,218	11,499
Accruals	2,360	1,348
	33,257	29,733

From 1 January 2012 interest is charged on all intercompany loan amounts at the rate of LIBOR + 1 75%
Prior to this the rate was LIBOR + 3 25%

15. CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2012	2011
	£'000	*£'000*
Deferred revenue	5,147	1,090

Notes to the financial statements

as at 31 August 2012

16. PROVISION FOR LIABILITIES

	Rent free provision	Provision for dilapidation	Other provision	Total
	£'000	*£'000*	*£'000*	*£'000*
As at 1 September 2011	271	221	101	593
Arising during the year	209	-	219	428
Unwinding of discount on provision	-	170	-	170
Utilised in the year	(39)	-	-	(39)
As at 31 August 2012	441	391	320	1,152

The provision for dilapidation costs relates to costs that are expected to be incurred when the leases expire between 2017 and 2021 This is provided at the present value of the expenditure expected to settle the obligation

Other provisions relate to guarantees that have been provided for a portfolio of student loans which are due to be repaid over a 78-month period The total value of the facility under guarantee is £10m, of which £2,735,000 has been utilised at the balance sheet date This is considered to be the maximum exposure to the company as at 31 August 2012 A provision of £320,000 has been made which represents the directors' best assessment of the probable exposure under the guarantee at the balance sheet date The balance of outstanding loan offers as at 31 August 2012 is £3 3m, on which the directors' best assessment of the potential liability is a further £325,000

The liquidity risk that will be encountered relates to the possibility that all guarantees could be called upon within 12 months, however, as the guarantee relates to a portfolio of loans it is extremely unlikely that the liability would amount to this The risk of default is managed by performing extensive credit checks on all loan applicants and loans are granted provided the applicant passes these checks Our collection procedures are enforced rigorously to ensure customers meet their payment obligations In pursuing the payment of overdue sums the Company utilises all of the methods available to it in law

17. SHARE CAPITAL

	2012	2011
	£	£
Allotted, called up and fully paid ordinary shares of £1 each	2	2

Notes to the financial statements

as at 31 August 2012

18. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Profit and loss account £	Total shareholders' funds £
At 1 September 2011	24,065	24,065
Profit for the year	2,468	2,468
As at 31 August 2012	26,533	26,533

Due to statutory restrictions BPP University College of Professional Studies Limited retained earnings of £26,533,000 (2011 £24,065,000) are not currently distributable as stated in the Articles of Association

19 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption allowed in FRS 8 and has not disclosed details of related party transactions with 100% owned entities within the Group

20 OTHER FINANCIAL COMMITMENTS

At 31 August 2012 the Company had the following annual commitments under non-cancellable operating leases

	2012 £'000	2011 £'000
Operating leases which expire		
Within one year	-	114
In over five years	837	731

21. PARENT UNDERTAKING

Apollo Group Inc is the Company's ultimate parent Company where the results of this Company are consolidated BPP Holdings Ltd is the immediate parent of the Company Apollo Group Inc is the smallest and the largest group where the results of this Company are consolidated Copies of Apollo Group Inc 's financial statements can be obtained from 4025 S Riverpoint, Phoenix, AZ 85040