

# **BPP University Limited**

(formerly BPP University College of Professional Studies Limited)

## **Report and Financial Statements**

**31 August 2013**

**Registered no 02609100**

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COMPANIES HOUSE

## **BPP University Limited**

(formerly BPP University College of Professional Studies Limited)

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### **OFFICERS AND PROFESSIONAL ADVISORS**

#### **DIRECTORS**

Amanda Blackmore

Peter Crisp

Richard Simmons

William Etchell

Roland Kaye (resigned 14/12/12)

Carl Lygo

Christina Cunliffe

Nicola Nicholls

Timothy Stewart (appointed 14/12/12)

Graham Gaddes

Katey Adderley (appointed 18/10/13)

#### **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 2013

### Status of the company and change of name

On 2 August 2013, the Department for Business Innovation and Skills confirmed that BPP University College of Professional Studies met the criteria for university title. The name of the Company was changed to BPP University Limited (previously BPP University College of Professional Studies Limited) with immediate effect on 5 August 2013. This follows the successful Institutional Review of the Company by the Quality Assurance Agency in November 2012.

### Results and dividends

The trading results for the year to 31 August 2013, and the Company's financial position at the end of the year, are shown in the attached financial statements.

The profit and loss account for the year shows a loss after tax of £24,000 (2012 profit £2,468,000). The directors have not recommended a dividend (2012 £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 delivered in the year were the Legal Practice Course (LPC), the Graduate Diploma in Law (GDL), the Bachelor of Laws (LLB) degree programme (with three start dates each year). Due to the successful recruitment on the LLB, BPP Law School has grown to become one of the largest full-time LLB providers in the UK. These programmes are delivered in a number of BPP locations including London, Leeds and Manchester. The demand for the Law School's Masters' degrees (LLMs) and the Bar Professional Training Course remained constant.

#### *Business School*

The principal activity of the Business School is the provision of a range of Bachelors and Masters degree programmes. Degree programmes offered included business management, accounting, finance and marketing. During the year the Business School increased its intake of international students on its degree programmes. The School is now under the leadership of Timothy Stewart who was appointed to the Board on 14 December 2012 and who has reviewed and refocused the programme offering. BPP Business School launched its BSc Leadership, Enterprise and Management from its new Vanta suite in BPP Birmingham which was designed to provide a new type of collaborative learning environment for working adults.

#### *School of Health*

BPP University's School of Health was launched in September 2011, incorporating McTimoney College of Chiropractic. In addition to the chiropractic programmes, the School of Health offered its BSc (Hons) Psychology for the first time from September 2012, following successful accreditation from the British Psychological Society. The School also launched its BSc (Hons) Nursing (Diploma to Degree) and a Level 4 HE Certificate in Health and Social Care, in January 2013. The School also validated and delivered a Mentorship Programme for nurses and a range of CPD courses for doctors and other health professionals. The School of Health is in the process of developing a suite of Masters in Dentistry (MClinDent) to be delivered from January 2014 following the completion of the BPP University approval process. The School is also developing a number of new programmes in partnership with other organisations.

#### *School of Foundation and English Language Studies*

The School was launched on 1 September 2012, following the introduction of a range of foundation and pathway programmes for home and international students in 2011, to widen access to BPP University's degree programmes. New programmes in accounting were approved during the year to complement those in law, business and healthcare. These enable students to learn the core knowledge and skills to progress to their chosen degree. The School also offers English language, communication and study skills to help international students improve their English prior to and during their studies and, in July 2013, the School introduced General English for those wishing to improve their English for social, work and other reasons.

## Directors' report (continued)

### Financial review

Turnover has increased by £5,971,000 (12%) compared with the prior year, and \*adjusted operating profit (adjusted operating margin) has decreased by £1,156,000 (59%) compared with the prior year. Net assets have decreased by £24,000 (0.1%) to £26,509,000 reflecting the loss 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.

The decrease in \*adjusted operating profit for the year reflects significant investment in the development of a range of new programmes during the year and the recruitment of high calibre staff to design, deliver and manage those programmes some of which are due to launch in the coming year. In addition there was increased marketing and international recruitment expenditure to position us for future growth. We are already seeing the result of this in the enrolments for next year. Finally, exceptional costs relate to £1.2m of non-recurring restructuring costs.

### 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.

		2013	2012	% Change
Turnover	£'000's	56,598	50,627	12%
New enrolments	No	6,474	5,880	10%
*Adjusted operating profit	£'000's	788	1,944	(59%)
Adjusted operating margin	%	1%	4%	

### 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 this risk 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.

#### *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.

Changes to student funding arrangements have resulted in additional regulation and disclosure requirements for the Company. The Company is putting in place arrangements to support this and recognises that it is an opportunity to demonstrate that it can provide high quality higher education at a competitive price relative to its competitors. All providers of higher education who want students to be able to apply for government loan funding for undergraduate degrees are subject to a cap on the number of eligible students they can accept on their undergraduate programmes. BPP University, as an alternative provider, will be subject to these number caps from September 2014. The number caps do not apply to international students, students with grades above a certain level, nor part-time students at present. BPP University is providing all relevant information to the Higher Education Funding Council of England under this new arrangement.

The Company was awarded Degree Awarding Powers by the Privy Council in 2007 and these were renewed by the Privy Council on 12 August 2013 for the period up to 31 August 2019, following a successful Institutional Review by the Quality Assurance Agency (QAA). The Company has a documented governance

## Directors' report (continued)

structure, policies and procedures in place and these are regularly reviewed against the QAA criteria to ensure compliance

The Company is required to have Highly Trusted Status (HTS) from the UK Border Agency (UKBA) in order to sponsor international students who want to study at BPP University. 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 on its most recent compliance visit during the year. This will assist in building our international recruitment 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 and education 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 programmes 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 place to mitigate the financial impact of disruption to the business and alternative potential resources have been 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. We have a mix of individual and corporate customers. Corporate customers undergo credit checks to ensure they are credit worthy and individuals are required to pay a percentage of their course fees in advance of registration in order to reduce credit risk. 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 facilities available. Further detail on liquidity risk can be found in note 17.

## 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 and growth in international student recruitment.

## 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  
Peter Crisp  
Richard Simmons  
William Etchell  
Roland Kaye (resigned 14/12/12)  
Carl Lygo  
Christina Cunliffe  
Nicola Nicholls  
Graham Gaddes

## Directors' report (continued)

Timothy Stewart (appointed 14/12/12)  
Katey Adderley (appointed 18/10/13)

### **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.

#### *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 five 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.

### **Distributable Reserves**

Due to statutory restrictions, BPP University Limited retained earnings of £26,509,000 (2012: £26,533,000) are not currently distributable, as stated in the Articles of Association.

## Directors' report (continued)

### Corporate Governance

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

In March and April 2013 Eversheds LLP and PwC separately undertook independent audits of the corporate governance arrangements in place for BPP University against the Corporate Governance Guide and Principles for Unlisted Companies in the UK. Both independent audits concluded that BPP University complies with the Phase 1 principles of the IoD Guide and Principles.

### Disclosure of Information to the auditor

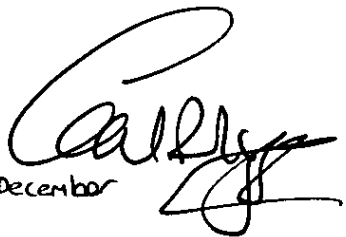
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor are unaware. Having made enquiries of fellow directors and the Company's 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 auditor 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

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.

By order of the Board

Carl Lygo  
Director  
Date 18 December



2013

### **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 judgements 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 Limited

(formerly BPP University College of Professional Studies Limited)

We have audited the financial statements of BPP University Limited for the year ended 31 August 2013 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 22. 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 for the year ended 31 August 2013 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **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 Limited  
(formerly 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



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

Date

6 January 2014

## Profit and loss account

for the year ended 31 August 2013

		Year ended 31 August 2013 £'000	Year ended 31 August 2012 £'000
	Notes		
<b>TURNOVER</b>	2	56,598	50,627
Cost of sales		(34,351)	(31,083)
<b>GROSS PROFIT</b>		22,247	19,544
Administrative expenses			
- Exceptional Restructuring costs	4	(1,261)	-
- Other		(21,459)	(17,600)
<b>*ADJUSTED OPERATING PROFIT</b>		788	1,944
<b>OPERATING (LOSS) / PROFIT</b>	3	(473)	1,944
Interest income	5	1,141	1,572
Interest expense	6	(407)	(169)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		261	3,347
Tax on profit on ordinary activities	9	(285)	(879)
<b>(LOSS) / PROFIT FOR THE YEAR</b>		(24)	2,468

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 2013

There were no recognised gains or losses other than the loss for the year of £24,000 (2012 profit £2,468,000)

**BPP University Limited**

(formerly BPP University College of Professional Studies Limited)

**Balance sheet**

as at 31 August 2013

Company No 02609100

		2013 £'000	2012 £'000
	Notes		
<b>FIXED ASSETS</b>			
Intangible fixed assets	10	—	—
Tangible fixed assets	11	1,610	1,931
		<u>1,610</u>	<u>1,931</u>
<b>CURRENT ASSETS</b>			
Stocks	12	46	339
Debtors falling due within one year	13	50,773	34,684
Debtors falling due after one year	13	21,925	22,027
Cash at bank and in hand		1,322	7,108
		<u>74,066</u>	<u>64,158</u>
<b>CREDITORS</b> amounts falling due within one year	15	(41,554)	(33,257)
<b>NET CURRENT ASSETS</b>		<u>32,512</u>	<u>30,901</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>34,122</u>	<u>32,832</u>
<b>CREDITORS</b> amounts falling due after more than one year	16	(5,463)	(5,147)
Provision for liabilities	17	(2,150)	(1 152)
<b>TOTAL NET ASSETS</b>		<u>26,509</u>	<u>26,533</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	—	—
Profit and loss account	19	26,509	26,533
<b>EQUITY SHAREHOLDERS' FUNDS</b>	19	<u>26,509</u>	<u>26,533</u>



William Etchell

Director

Date 18 December

2013

## Notes to the financial statements

as at 31 August 2013

### 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 2012

#### *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 Ltd as they become due for a period up to 31 March 2015. 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 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
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 2013

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

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the 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 2013

### 1. ACCOUNTING POLICIES (CONTINUED)

#### *Pension policy*

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

### 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 2013 £'000	Year ended 31 August 2012 £'000
Depreciation	444	595
Fees payable to the Company's auditor for the audit of the Company's annual accounts	26	44
Operating lease rentals – leasehold property	4,544	3,783
	<u>          </u>	<u>          </u>

### 4. EXCEPTIONAL RESTRUCTURING COSTS

Exceptional costs relate to non-recurring restructuring costs

	Year ended 31 August 2013 £'000	Year ended 31 August 2012 £'000
Exceptional costs	1,261	-
	<u>          </u>	<u>          </u>

### 5. INTEREST INCOME

	Year ended 31 August 2013 £'000	Year ended 31 August 2012 £'000
Interest other	-	33
Interest on intercompany balances	1,141	1,539
	<u>          </u>	<u>          </u>
	<u>1,141</u>	<u>1,572</u>

## Notes to the financial statements

as at 31 August 2013

### 6. INTEREST EXPENSE

	Year ended 31 August 2013 £'000	Year ended 31 August 2012 £'000
Parent Company – loan interest	376	142
Unwinding of discount on dilapidation provision	31	27
	<u>407</u>	<u>169</u>

### 7. DIRECTORS' REMUNERATION

	Year ended 31 August 2013 £'000	Year ended 31 August 2012 £'000
Emoluments	808	481
Company contribution to pension schemes	21	4
	<u>829</u>	<u>485</u>

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

Emoluments	284	245
Company contribution to pension schemes	7	4
	<u>291</u>	<u>249</u>

The amount remunerated to directors of the Company by its parent, BPP Holdings Ltd, and not included above was £1,103,000. These directors provided their services to the BPP Group.

These directors are executives of the holding company, and two are also directors of BPP Holdings Ltd, BPP Learning Media Ltd, BPP Professional Education Ltd, BPP Services Ltd and BPP International Ltd.

The directors received total remuneration of £1,103,000 from BPP Holdings Ltd during the year, but it is not practicable to allocate this between their services as executives of BPP Holdings Ltd and their services as directors of BPP University Ltd, BPP Learning Media Ltd, BPP Professional Education Ltd, BPP Services Ltd and BPP International Ltd.

In addition, two of the directors are accruing benefits under the BPP Holdings Ltd group pension scheme, which is a defined contribution scheme, in respect of their services to the four group companies.



## Notes to the financial statements

as at 31 August 2013

### 8. STAFF COSTS

Staff costs during the year amounted to

	Year ended 31 August 2013	Year ended 31 August 2012
	£'000	£'000
Wages and salaries	30,845	29,031
Other Pension costs	270	93
Social security costs	3,254	3,153
	<u>34,369</u>	<u>32,277</u>

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

The monthly average number of employees during the year was

	No	No
Tutors	258	242
Administration and services	346	397
Customer services	-	1
Sales and Marketing	87	2
Materials, production and dispatch	31	29
	<u>722</u>	<u>671</u>

### 9. TAX ON PROFIT ON ORDINARY ACTIVITIES

#### (a) Analysis of charge in the year

	Year ended 31 August 2013	Year ended 31 August 2012
	£'000	£'000
UK corporation tax		
Tax (over) provided in prior years	-	(96)
Group relief payable	183	1,060
	<u>183</u>	<u>964</u>
Deferred tax (note 14)		
Origination and reversal of timing differences – current-year credit	(58)	(148)
Origination and reversal of timing differences – prior-year	(10)	(45)
Decrease in tax rate	170	108
	<u>102</u>	<u>(85)</u>
Tax on profit on ordinary activities	<u>285</u>	<u>879</u>

## Notes to the financial statements

as at 31 August 2013

### 9 TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

#### (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 2013 £'000	Year ended 31 August 2012 £'000
Profit on ordinary activities before tax	261	3,347
Profit on ordinary activities multiplied by the rate of corporation tax in the UK of 23.58% (2012: 25.17%)	62	842
Effect of		
Disallowed expenses and non-taxable income	53	70
Tax (over) provided in prior periods	-	(96)
Depreciation in excess of capital allowances	70	117
Other timing differences	(2)	31
Current tax charge for the year	183	964

The Finance Act 2013, which provides for a reduction in the main rate of UK Corporation Tax from 24% to 23%, effective 1 April 2013, and a further reduction to 21%, effective 1 April 2014, was substantively enacted on 17 July 2013. 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 20%, applicable from 1 April 2015. This further reduction has been substantively enacted at the balance sheet date and is therefore reflected in these financial statements.

#### (c) *Factors that may affect future tax charges*

The Company has unutilised capital losses of £75,000 (2012: £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.

### 10. INTANGIBLE FIXED ASSETS

	<i>Licences</i> £'000
Cost	
At 1 September 2012	105
At 31 August 2013	105
Amortisation	
At 1 September 2012	105
At 31 August 2013	105
Net book value	
At 31 August 2013 and 31 August 2012	-

## Notes to the financial statements

as at 31 August 2013

### 11. TANGIBLE FIXED ASSETS

	<i>Leasehold £'000</i>	<i>Fixtures and fittings £'000</i>	<i>Office Equipment £'000</i>	<i>Total £'000</i>
Cost				
At 1 September 2012	3,540	1,980	2,908	8,428
Additions	16	-	107	123
Disposals	(517)	(160)	(91)	(768)
At 31 August 2013	3,039	1,820	2,924	7,783
Depreciation				
At 1 September 2012	2,005	1,697	2,795	6,497
Provided during year	197	153	94	444
Disposals	(517)	(160)	(91)	(768)
At 31 August 2013	1,685	1,690	2,798	6,173
Net book value				
At 31 August 2013	1,354	130	126	1,610
At 31 August 2012	1,535	283	113	1,931

### 12. STOCKS

	2013 £'000	2012 £'000
Finished goods – books held for resale	46	339

### 13. DEBTORS

	2013 £'000	2012 £'000
Trade debtors	17,777	13,041
Amounts due from fellow subsidiary undertakings	29,922	20,172
Amounts due from parent undertakings	2,673	932
Corporation tax	-	1
Other debtors	63	167
Prepayments and accrued income	338	371
	50,773	34,684

## Notes to the financial statements

as at 31 August 2013

### 13. DEBTORS (CONTINUED)

Amounts falling due after more than one year are

	2013 £'000	2012 £'000
Amounts due from fellow subsidiary undertakings	20,800	20,800
Deferred tax (note 14)	1,125	1,227
	<u>21,925</u>	<u>22,027</u>

### 14. DEFERRED TAX ASSET

	2013 £'000	2012 £'000
At 1 September	1,227	1,142
Arising in the year	(102)	85
At 31 August	<u>1,125</u>	<u>1,227</u>

Deferred tax provided consists of

	2013 £'000	2012 £'000
Depreciation in excess of capital allowances	936	1,008
Other timing differences	189	219
	<u>1,125</u>	<u>1,227</u>

### 15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 £'000	2012 £'000
Trade creditors	82	285
Intercompany in respect of Group Corporation Tax Relief	1,246	2,467
Corporation tax	1	-
Amounts due to parent undertaking	408	143
Amounts due to fellow subsidiary undertakings	446	217
Rent free provision	50	49
Other taxes	266	-
Other creditors	2,285	3,233
Advance payments received from customers	13,310	10,285
Deferred revenue	18,217	14,218
Accruals	5,244	2,360
	<u>41,554</u>	<u>33,257</u>

## Notes to the financial statements

as at 31 August 2013

### 16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2013 £'000	2012 £'000
Deferred revenue	5,463	5,147

### 17. PROVISION FOR LIABILITIES

	Rent free provision £'000	Provision for dilapidation £'000	Other provision £'000	Total £'000
At 1 September 2012	441	391	320	1,152
Arising during the year	62	-	956	1,018
Unwinding of discount on provision	-	31	-	31
Utilised in the year	(51)	-	-	(51)
For the year ended 31 August 2013	452	422	1,276	2,150

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 £15m, of which £8,700,000 has been utilised at the balance sheet date. This is considered to be the maximum exposure to the Company for the year ended 31 August 2013. A provision of £1,276,000 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 for the year ended 31 August 2013 is £2.5m, on which the directors' best assessment of the potential liability is a further £324,000.

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.

### 18. SHARE CAPITAL

	2013 £	2012 £
Allotted, called up and fully paid ordinary shares of £1 each	2	2

## Notes to the financial statements

as at 31 August 2013

### 19 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Profit and loss account £	Total share- holders' funds £
At 1 September 2012	26,533	26,533
Loss for the year	(24)	(24)
For the year ended 31 August 2013	<u>26,509</u>	<u>26,509</u>

Due to statutory restrictions BPP University Limited retained earnings of £26,509,000 (2012 £26,533,000) are not currently distributable as stated in the Articles of Association

### 20 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

### 21. OTHER FINANCIAL COMMITMENTS

At 31 August 2013 the Company had the following annual commitments under non-cancellable operating leases

	2013 £'000	2012 £'000
Operating leases which expire		
Within two to five years	189	-
In over five years	648	837
	<u>837</u>	<u>837</u>

### 22. PARENT UNDERTAKING

Apollo Education Group Inc (formerly Apollo Group Inc) is the Company's ultimate parent company where the results of this company are consolidated BPP Holdings Limited is the intermediate parent of the company Apollo Education Group Inc (formerly Apollo Group Inc) is the smallest and the largest group where the results of this company are consolidated Copies of Apollo Education Group Inc's (formerly Apollo Group Inc) financial statements can be obtained from 4025 S Riverpoint, Phoenix, AZ 85040, USA