

# **BPP University Limited**

**Annual Report and Financial Statements**

**For the year ended 31 August 2015**

**Registered no. 02609100**

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**OFFICERS AND PROFESSIONAL ADVISORS**

**DIRECTORS**

Richard Simmons (Non-Executive Chair)  
Katey Adderley (Non-Executive)  
Peter Cheese (Appointed 13/02/2015 – Non-Executive)  
Amanda Blackmore  
Peter Crisp  
Christina Cunliffe  
William Etchell  
Graham Gaddes  
Carl Lygo  
Timothy Stewart

**AUDITOR**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
St Albans  
United Kingdom

**BANKERS**

Barclays Bank PLC  
27 Soho Square  
London W1D 3QR

**SOLICITORS**

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

**REGISTERED OFFICE**

BPP House  
Aldine Place  
142-144 Uxbridge Road  
Shepherds Bush  
London  
W12 8AA

## STRATEGIC REPORT

### Results and dividends

The trading results for the year ended 31 August 2015, 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 £7,284,000 (2014: £5,033,000). The directors have not recommended a dividend (2014: £nil).

### Principal activity of the business

BPP University Limited consists of four main schools. The principal activities of the four schools are as follows:

#### *Law School*

The principal activity of the Law School is the provision of legal education through full-time, part-time and on-line study. The largest programmes delivered in the year were: the Legal Practice Course (LPC), the Graduate Diploma in Law (GDL), and the Bachelor of Laws (LLB) undergraduate degree programme (with three start dates each year). There are a number of law firm clients who send their trainees exclusively to BPP University Law School for the LPC and GDL courses. BPP Law School is now the largest full-time LLB provider in the UK. These programmes are delivered in a number of BPP locations including Birmingham, Leeds, London and Manchester. In September 2014 the School launched an international online LLB for the Bangladesh market; this programme has now been launched in Mauritius and Pakistan. Demand for the Bar Professional Training Course remained constant with the programme also now being delivered in Birmingham.

#### *Business School*

The principal activity of the Business School is the provision of a range of undergraduate, postgraduate and professional programmes. Degree programmes offered included business management, accounting, banking and finance, marketing, and human resources. Student numbers have expanded in 2015 and the school continues to enhance its academic results and student experience. In 2015 the Business School has launched a new International MBA and a new Advanced Diploma in Accounting accredited by the ACCA.

#### *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 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 delivers a suite of Master in Dentistry (MClintDent) programmes which commenced in January 2014. The medical book publishing programme continues to expand as a result of a strategic alliance with the British Medical Journal. The School has recently developed a number of postgraduate programmes including an MSc in Healthcare Leadership and MSc programmes in Health Psychology, Occupational Psychology and an MSc Psychology conversion programme.

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

The School offers a range of international foundation and home pathway programmes for students, to widen access to BPP University's undergraduate and postgraduate degree programmes. Pathway and foundation programmes are available in law, business, accounting, psychology and healthcare. The School offers English language at 6 different levels to help international students improve their English prior to and during their degree studies. The School obtained British Council accreditation for its English language provision on 4 September 2014 and developed online English modules to support the international LLB and a new online international foundation programme for launch in 2015. The School also developed intensive and enhanced pre-sessional English programmes during the year as well as English for finance professionals and plans to develop further professional English courses.

## STRATEGIC REPORT

### Strategic Review

Turnover has increased by £10,232,000 (16%) compared with the prior year, and operating profit has increased by £2,374,000 (39%) compared with the prior year. This has resulted in net assets increasing by £7,284,000 (23%) to £38,826,000.

The increase in turnover and operating profit results from an increase in student numbers.

### Analysis of key performance indicators

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

		2015	2014	% Change
Turnover	£'000's	75,570	65,338	16%
Total enrolments	No.	11,225	12,946 <sup>1</sup>	(13%)
Operating profit	£'000's	8,393	6,019	
Operating margin	%	11.1%	9.2%	

<sup>1</sup> Decrease in total enrolments from 2014 to 2015 is contrary to the turnover increase of 16%. This has arisen as a result of BPP University undertaking a major data cleanse of the student data in 2015 which identified a number of students who were included in the 2014 numbers but had completed their programme, were no longer active or had withdrawn. We have put in place additional processes for on-going review of student statuses to verify accuracy.

### Key Risks and Uncertainties

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 continuing uncertainty in both the global and UK economy has had some impact on our business and will continue to be a risk for the future. The Company also faces strong competition in its key markets. The Company seeks to address these risks by maintaining its high standards of education in order to be the provider of choice for the Company's students, closely monitoring the economic outlook in core geographies and by having flexible resources available so the Company is able to respond to changes in economic conditions or competitor actions.

#### *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. BPP University continues to provide all relevant information to the Higher Education Funding Council of England (HEFCE), Higher Education Statistics Agency (HESA), and the Department for Business Innovation & Skills (BIS).

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 structure, policies and procedures in place and these are regularly reviewed against the QAA criteria to ensure compliance. As with all other non-publicly funded providers, BPP University will undergo an annual monitoring visit in 2016/17.

The Company is able to sponsor international students who want to study at BPP University in the UK as a result of its UK Visa & Immigration (UKVI) approved status. The Company has policies and procedures in place to ensure the admissions and monitoring processes for international students are sufficiently robust to ensure compliance with the UKVI requirement. We expect enrolments of International students to increase in the coming year.

## **STRATEGIC REPORT**

### ***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 students and corporate clients. Corporate clients 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.

### ***Liquidity and Cash Flow Risks***

BPP Holdings Ltd manages the Group's bank facilities via a robust process of monitoring and review to ensure that the Group has adequate facilities available.

### ***Outlook***

It is difficult to predict the impact that changing global economic conditions may have, however the Company is cautiously optimistic that it will grow enrolments in the future due to continued program development and delivery and growth in international student recruitment.

## **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 Company 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.

**STRATEGIC REPORT**

***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.

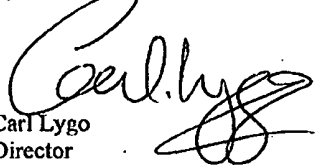
***Training and development***

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.

**Distributable Reserves**

Due to statutory restrictions, BPP University Limited retained earnings of £38,826,000 (2014: £31,542,000) are not currently distributable, as stated in the Articles of Association.

By order of the Board

  
Carl Lygo  
Director  
Date: 25 May 2016

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 August 2015.

### **Directors**

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

Richard Simmons (Non-Executive Chair)  
Katey Adderley (Non-Executive)  
Peter Chcese (Appointed 13/02/2015 – Non-Executive)  
Amanda Blackmore  
Peter Crisp  
Christina Cunliffe  
William Etchell  
Graham Gaddes  
Carl Lygo  
Timothy Stewart

### **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.

### **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 of the financial statements for further details.


### **Disclosure of Information to the auditor**

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

### **Re-appointment of 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.

On behalf of the Board



Carl Lygo  
Director

Date: 25 May 2016

**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.



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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BPP UNIVERSITY LIMITED**

We have audited the financial statements of BPP University Limited for the year ended 31 August 2015 which comprise the Profit and loss account, the Balance sheet, the Cash flow statement 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2015 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

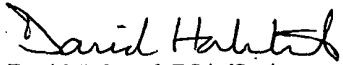
**BPP University Limited**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BPP UNIVERSITY LIMITED  
(CONTINUED)**

**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  
St Albans, United Kingdom

Date: 28 May 2016

## Profit and loss account

for the year ended 31 August 2015

		Year ended 31 August 2015 £'000	Year ended 31 August 2014 £'000
	Notes		
<b>TURNOVER</b>	2	75,570	65,338
Cost of sales		(42,175)	(37,088)
<b>GROSS PROFIT</b>		33,395	28,250
Administrative expenses		(25,002)	(22,231)
<b>OPERATING PROFIT</b>	3	8,393	6,019
Interest income	4	1,615	1,365
Interest expense	5	(617)	(691)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		9,391	6,693
Tax on profit on ordinary activities	8	(2,107)	(1,660)
<b>PROFIT FOR THE YEAR</b>		7,284	5,033

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

There were no recognised gains or losses other than the profit for the year of £7,284,000 (2014: £5,033,000). Hence, no statement of recognised gains and losses has been prepared.

# BPP University Limited

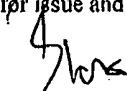
## Balance sheet

as at 31 August 2015

Company No. 02609100

		2015 £'000	2014 £'000
	Notes		
<b>FIXED ASSETS</b>			
Intangible fixed assets	9	10	35
Tangible fixed assets	10	989	1,282
		<u>999</u>	<u>1,317</u>
<b>CURRENT ASSETS</b>			
Stocks	11	742	604
Debtors falling due within one year	12	58,534	64,229
Debtors falling due after more than one year	12	21,743	21,783
Cash at bank and in hand		3,392	2,747
		<u>84,411</u>	<u>89,363</u>
CREDITORS: amounts falling due within one year	14	(43,105)	(45,785)
<b>NET CURRENT ASSETS</b>		<u>41,306</u>	<u>43,578</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>42,305</u>	<u>44,895</u>
<b>CREDITORS: amounts falling due after more than one year</b>	15	(275)	(10,655)
Provision for liabilities	16	(3,204)	(2,698)
<b>TOTAL NET ASSETS</b>		<u>38,826</u>	<u>31,542</u>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	17	—	—
Profit and loss account	18	38,826	31,542
<b>EQUITY SHAREHOLDERS' FUNDS</b>	18	<u>38,826</u>	<u>31,542</u>

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

  
William Etchell  
Director

Date: 25 May 2016

**BPP University Limited**

**Cash flow statement**

for the year ended 31 August 2015

	2015 £'000	2014 £'000
<b>RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES</b>		
Operating Profit	8,393	6,019
<i>Adjustments for:</i>		
Depreciation of fixed assets	310	416
Amortisation of intangible assets	25	15
Increase in stocks	(138)	(558)
Decrease/(increase) in trade and other receivables	5,695	(13,457)
(Decrease)/increase in trade and other payables	(2,084)	5,559
(Decrease)/increase in deferred revenue	(13,043)	3,754
Increase in provisions	1,596	33
<b>Net cash flows from/(used in) operating activities</b>	<b>754</b>	<b>1,781</b>
<b>CASH FLOW STATEMENT</b>		
<b>Cash flow from operating activities</b>	<b>754</b>	<b>1,781</b>
Interest received	1,615	1,365
Interest paid	(1,707)	(176)
<b>Returns on investment and servicing of finance</b>	<b>(92)</b>	<b>1,189</b>
Corporation tax paid	-	(1,407)
Purchase of tangible and intangible fixed assets	(17)	(138)
<b>Net increase in cash and cash equivalents</b>	<b>645</b>	<b>1,425</b>
Cash and cash equivalents at 1 September	2,747	1,322
<b>CASH AND CASH EQUIVALENTS AT 31 AUGUST</b>	<b>3,392</b>	<b>2,747</b>

## Notes to the financial statements

for the year ended 31 August 2015

### 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 2014.

#### *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 5 of the Strategic Report.

The Company participates in the Group's centralised treasury arrangements and so shares banking arrangements with its UK parent BPP Holdings 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 30 June 2017. 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

#### *Intangible fixed assets*

Intangible assets acquired are capitalised at cost and amortised over their expected useful life.

Licenses	–	over three years
Other Intangibles	–	over two years

#### *Impairment*

The carrying value of tangible and intangible 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.

## Notes to the financial statements

for the year ended 31 August 2015

### 1. ACCOUNTING POLICIES (CONTINUED)

#### *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.

#### *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 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 is recognised as follows:

##### *Tuition fees*

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

##### *Sales of educational materials*

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

##### *Provisions for liabilities*

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

## Notes to the financial statements

for the year ended 31 August 2015

### 1. ACCOUNTING POLICIES (CONTINUED)

#### *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.

#### *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. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred revenue and included within creditors.

### 3. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging:

	Year ended 31 August 2015	Year ended 31 August 2014
	£'000	£'000
Depreciation and amortisation	335	416
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	36	29
Operating lease rentals – leasehold property	3,990	3,940
	<u>          </u>	<u>          </u>

### 4. INTEREST INCOME

	Year ended 31 August 2015	Year ended 31 August 2014
	£'000	£'000
Interest on intercompany balances	1,615	1,365
	<u>          </u>	<u>          </u>

### 5. INTEREST EXPENSE

	Year ended 31 August 2015	Year ended 31 August 2014
	£'000	£'000
Parent Company – loan interest	600	648
Unwinding of discount on dilapidation provision	17	43
	<u>          </u>	<u>          </u>
	617	691
	<u>          </u>	<u>          </u>



## Notes to the financial statements

for the year ended 31 August 2015

### 6. DIRECTORS' REMUNERATION

	Year ended 31 August 2015 £'000	Year ended 31 August 2014 £'000
Emoluments	1,183	901
Company contribution to pension schemes	20	22
	<u>1,203</u>	<u>923</u>
The amounts in respect of the highest paid director are as follows:		
Emoluments	493	354
Company contribution to pension schemes	8	8
	<u>501</u>	<u>362</u>

The emoluments above includes amounts relating to a long term incentive plan which fell due within the year ended 31 August 2015 of £350,000 (2014: £95,000).

The amount remunerated to directors of the Company by its parent, BPP Holdings Ltd, and not included above was £1,770,000 (2014: £1,349,000). It is not practicable to allocate this between their services as executives of BPP Holdings Ltd and their services as directors of BPP subsidiary companies. The directors are executives of the holding company, BPP Holdings Ltd, and are also directors of other BPP subsidiary companies.

In addition, four 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 group companies. This amount is included in amount remunerated to directors of BPP Holdings Ltd above.

## Notes to the financial statements

for the year ended 31 August 2015

### 7. STAFF COSTS

Staff costs during the year amounted to:

	Year ended 31 August 2015 £'000	Year ended 31 August 2014 £'000
Wages and salaries	30,324	26,877
Other Pension costs	593	515
Social security costs	3,231	2,919
	<u>34,148</u>	<u>30,311</u>

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

The monthly average number of employees during the year was:

	Year ended 31 August 2015 No.	Year ended 31 August 2014 No.
Tutors	309	244
Administration and services	342	334
Sales and Marketing	109	81
Materials, production and dispatch	28	31
	<u>788</u>	<u>690</u>

### 8. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) *Analysis of charge in the year*

	Year ended 31 August 2015 £'000	Year ended 31 August 2014 £'000
UK corporation tax		
Tax (over)/underprovided in prior years	197	153
Group relief payable	1,870	1,358
	<u>2,067</u>	<u>1,511</u>
Deferred tax (note 14)		
Origination and reversal of timing differences – current year	85	12
Origination and reversal of timing differences – prior year	(45)	137
Decrease in tax rate	-	-
	<u>40</u>	<u>149</u>
Tax on profit on ordinary activities	<u>2,107</u>	<u>1,660</u>

## Notes to the financial statements

for the year ended 31 August 2015

### 8. 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 2015 £'000	Year ended 31 August 2014 £'000
Profit on ordinary activities before tax	9,391	6,693
Profit on ordinary activities multiplied by the rate of corporation tax in the UK of 20.58% (2014: 22.17%)	1,933	1,484
Effect of:		
Disallowed expenses and non-taxable income	(18)	149
Tax (over)/under provided in prior periods	197	153
Depreciation (below)/in excess of capital allowances	(125)	(156)
Other timing differences	80	(119)
Current tax charge for the year	2,067	1,511

The Finance Act 2015 was substantively enacted on 26 October 2015 meaning that the main rate of UK Corporation Tax will be reduced to 19% from 1 April 2017 and 18% from 1 April 2020.

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

The Company has unutilised capital losses of £75,000 (2014: £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.

## Notes to the financial statements

for the year ended 31 August 2015

## 9. INTANGIBLE FIXED ASSETS

	<i>Licenses</i> £'000	<i>Other</i> £'000	<i>Total</i> £'000
Cost:			
At 1 September 2014	105	50	155
Additions	-	-	-
Disposals	(11)	-	(11)
At 31 August 2015	94	50	144
Amortisation:			
At 1 September 2014	105	15	120
Provided during the year	-	25	25
Disposals	(11)	-	(11)
At 31 August 2015	94	40	134
Net book value:			
At 31 August 2015	-	10	10
At 31 August 2014	-	35	35

Other intangibles relates to intellectual property purchased.

## 10. TANGIBLE FIXED ASSETS

	<i>Short</i> <i>Leasehold</i> £'000	<i>Fixtures</i> <i>and fittings</i> £'000	<i>Office</i> <i>Equipment</i> £'000	<i>Total</i> £'000
Cost:				
At 1 September 2014	3,096	1,873	2,947	7,916
Additions	17	-	-	17
Disposals	(179)	(740)	(822)	(1,741)
At 31 August 2015	2,934	1,133	2,125	6,192
Depreciation:				
At 1 September 2014	1,894	1,839	2,901	6,634
Provided during year	243	25	42	310
Disposals	(179)	(741)	(821)	(1,741)
At 31 August 2015	1,958	1,123	2,122	5,203
Net book value:				
At 31 August 2015	976	10	3	989
At 31 August 2014	1,202	34	46	1,282

## Notes to the financial statements

for the year ended 31 August 2015

## 11. STOCKS

	2015	2014
	£'000	£'000
Finished goods – books held for resale	742	604

There is no material difference between the balance sheet value of stocks and their replacement cost.

## 12. DEBTORS

Amounts falling due within one year are:	2015	2014
	£'000	£'000
Trade debtors	11,148	23,910
Amounts due from fellow subsidiary undertakings	46,168	39,472
Amounts due from parent undertakings	371	223
Other debtors	46	39
VAT receivable	112	-
Prepayments	516	451
Accrued income	173	134
	<u>58,534</u>	<u>64,229</u>

Amounts falling due after more than one year are:	2015	2014
	£'000	£'000

Amounts due from fellow subsidiary undertakings	20,800	20,800
Deferred tax (note 13)	943	983
	<u>21,743</u>	<u>21,783</u>

## 13. DEFERRED TAX ASSET

	2015	2014
	£'000	£'000
At 1 September	983	1,125
Transfers	-	7
Arising in the year	(40)	(149)
At 31 August	<u>943</u>	<u>983</u>

Deferred tax provided consists of:

	2015	2014
	£'000	£'000
Depreciation in excess of capital allowances	677	775
Other timing differences	266	208
	<u>943</u>	<u>983</u>

## Notes to the financial statements

for the year ended 31 August 2015

### 14. CREDITORS

Amounts falling due within one year are:	2015	2014
	£'000	£'000
Trade creditors	2,508	121
Intercompany in respect of Group Corporation Tax Relief	3,424	1,357
Amounts due to parent undertaking	-	880
Amounts due to fellow subsidiary undertakings	262	1,072
VAT payable	-	163
Other creditors	2,236	3,230
Advance payments received from customers	16,483	16,373
Deferred revenue	14,117	16,779
Accruals	4,075	5,810
	<u>43,105</u>	<u>45,785</u>

### 15. CREDITORS

Amounts falling due after more than one year are:	2015	2014
	£'000	£'000
Deferred revenue	<u>275</u>	<u>10,655</u>

## Notes to the financial statements

for the year ended 31 August 2015

## 16. PROVISION FOR LIABILITIES

	Rent free provision	Provision for dilapidation	Other provisions	Total
	£'000	£'000	£'000	£'000
At 1 September 2014	420	472	1,806	2,698
Arising during the year	63	-	906	969
Unwinding of discount on provision	-	17	-	17
Transferred to fellow subsidiary	(155)	(257)	-	(412)
Utilised in the year	(53)	-	(15)	(68)
As at 31 August 2015	275	232	2,697	3,204

The provision for dilapidation costs relates to costs that are expected to be incurred when the leases expire between 2017 and 2028. 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 at balance sheet date was £18,000,000, of which £18,000,000 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 2015. A provision of £2,697,000 has been made which represents the directors' best assessment of the probable exposure under the guarantee at the balance sheet date.

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.

A rent free provision is built up on the balance sheet during the rent-free period, which is then credited to the profit and loss statement over the life of the lease. The effect is to recognise a reduction in rental expenses on a straight-line basis over the term of the lease. Rent-free periods are not discounted.

## 17. CALLED-UP SHARE CAPITAL

	2015	2014
	£	£
2 allotted, called up and fully paid ordinary shares of £1 each	2	2

## Notes to the financial statements

for the year ended 31 August 2015

### 18. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Profit and loss account £'000	Total share- holders' funds £'000
As at 1 September 2013	26,509	26,509
Profit for the year ended 31 August 2014	5,033	5,033
At 31 August 2014	31,542	31,542
Profit for the year ended 31 August 2015	7,284	7,284
As at 31 August 2015	38,826	38,826

Due to statutory restrictions BPP University Limited retained earnings of £38,826,000 (2014: £31,542,000) 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 2015 the Company had the following annual commitments under non-cancellable operating leases:

	2015 £'000	2014 £'000
Operating leases which expire:		
Within two to five years	213	731
In over five years	106	130

Non-cancellable operating leases are for leasehold property.

### 21. PARENT UNDERTAKING

The Company is controlled by Apollo Education Group Inc. who 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. is the smallest and the largest group where the results of this company are consolidated. Copies of Apollo Education Group Inc's financial statements can be obtained from 4025 S Riverpoint, Phoenix, AZ 85040, USA.