

# BPP University Limited

Annual Report and Financial Statements

For the year ended 31 August 2014

Registered no. 02609100

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COMPANIES HOUSE

**OFFICERS AND PROFESSIONAL ADVISORS**

**DIRECTORS**

Richard Simmons (Non-Executive Chair)  
Katey Adderley (appointed 18/10/2013 – Non-Executive)  
Amanda Blackmore  
Peter Crisp  
Christina Cunliffe  
William Etchell  
Graham Gaddes  
Carl Lygo  
Nicola Nicholls (resigned 20/06/2014 – Non-Executive)  
Timothy Stewart

**AUDITOR**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
3 Victoria Square  
Victoria Street  
St Albans AL1 3TF  
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 to 31 August 2014, 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 £5,033,000 (2013 loss: £24,000). The directors have not recommended a dividend (2013: £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 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. Demand for the Law School's Master degrees (LLMs) is growing internationally and the School launched an international online LLB initially for the Bangladesh market from September 2014. Demand for the Bar Professional Training Course remained constant. New exclusive clients include Allen & Overy, Clifford Chance, DWF, Lewis Silkin and Bird & Bird.

#### *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 2014 and the school continues to enhance its academic results and student experience. The Business School has launched in 2014 a new MSc in Financial Leadership and an MSc in Accounting and Finance. The school operates a full time ACCA programme for international students and is planning the introduction of an advanced diploma in accounting and finance 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 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 also delivers a suite of Master in Dentistry (MClinDent) programmes which commenced in January 2014. The School is actively developing a number of new programmes in partnership with other organisations.

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

The School offers a range of foundation and pathway programmes for home and international students, to widen access to BPP University's undergraduate and postgraduate degree programmes. New programmes in psychology were approved during the year to complement those in law, business, accounting and healthcare. The School offers English language, communication and study skills 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 has developed new online English modules to support the international LLB launch in September 2014.

### Strategic Review

Turnover has increased by £8,740,000 (15%) compared with the prior year, and \*adjusted operating profit (adjusted operating margin) has increased by £5,231,000 compared with the prior year. Net assets have increased by £5,033,000 (19%) to £31,542,000 reflecting the profit for the year.

\* adjusted operating profit is operating profit pre-exceptional restructuring costs of £1,261,000 for the year ended 31 August 2013 (2014: £nil).

**STRATEGIC REPORT (CONTINUED)**

The increase in turnover reflects the higher student numbers, both new & continuing, and price increases in the year. The growth in new students is primarily associated with the development of a range of new programmes and investment in international inbound recruitment.

The increase in \*adjusted operating profit for the year reflects the increase in turnover partly offset by higher international recruitment costs.

Additionally there were exceptional costs of £1.3m in the prior year relating to non-recurring restructuring costs which have been excluded from the \*adjusted operating profit figure.

**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.

		2014	2013	% Change
Turnover	£'000's	65,338	56,598	15%
New enrolments	No.	9,072	7,577 <sup>1</sup>	20%
*Adjusted operating profit	£'000's	6,019	788	
Adjusted operating margin	%	9.2%	1.4%	

<sup>1</sup> The methodology for calculating new enrolments has changed from 2013 so the 2013 figure has been restated to be consistent with the 2014 methodology.

**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 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 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 our students, closely monitoring the economic outlook and by having flexible resources available so it 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 as well as a cap on the number of home students it can admit onto its undergraduate programmes. The cap is based on those who are eligible for government loan funding for undergraduate degrees, whether or not those students apply for or receive loan funding. BPP University, as an alternative provider, continues to be subject to these number caps in FY14/15. 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 (HEFCE), Higher Education Statistics Agency (HESA) and the Department for Business Innovation & Skills (BIS) under this 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 structure, policies and procedures in place and these are regularly reviewed against the QAA criteria to ensure compliance.

\* adjusted operating profit is operating profit pre-exceptional restructuring costs of £1,261,000 for the year ended 31 August 2013 (2014: £nil).

## STRATEGIC REPORT (CONTINUED)

The Company is required to have Highly Trusted Status (HTS) from UK Visa & Immigration (UKVI) 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 on its most recent visit. 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 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. Our collection procedures are enforced rigorously to ensure students and clients meet their payment obligations.

### ***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..

### **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.

### **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.

**STRATEGIC REPORT (CONTINUED)**

***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.

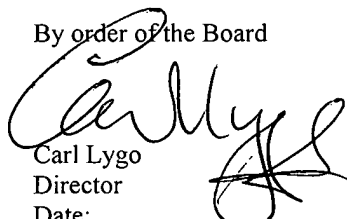
***Training and development***

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 £31,542,000 (2013: £26,509,000) are not currently distributable, as stated in the Articles of Association.

By order of the Board

  
Carl Lygo  
Director  
Date: 2 February 2015

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 August 2014.

### **Directors**

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

Richard Simmons (Non-Executive Chair)  
Katey Adderley (appointed 18/10/2013 – Non-Executive)  
Amanda Blackmore  
Peter Crisp  
Christina Cunliffe  
William Etchell  
Graham Gaddes  
Carl Lygo  
Nicola Nicholls (resigned 20/06/2014 – Non-Executive)  
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.

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.

### **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.

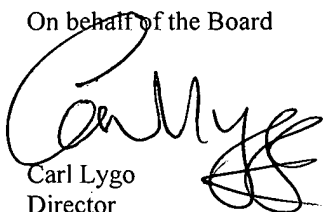
### **Disclosure of Information to the auditor**

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: 2 February 2015

### **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**

We have audited the financial statements of BPP University Limited for the year ended 31 August 2014 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement 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 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 2014 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.

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

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

Date: *3 February 2015*

## Profit and loss account

for the year ended 31 August 2014

		Year ended 31 August 2014 £'000	Year ended 31 August 2013 £'000
	Notes		
<b>TURNOVER</b>	2	65,338	56,598
Cost of sales		(37,088)	(34,351)
		<hr/>	<hr/>
<b>GROSS PROFIT</b>		28,250	22,247
Administrative expenses			
- Exceptional restructuring costs	4	-	(1,261)
- Other		(22,231)	(21,459)
		<hr/>	<hr/>
<b>*ADJUSTED OPERATING PROFIT</b>		6,019	788
		<hr/>	<hr/>
<b>OPERATING PROFIT / (LOSS)</b>	3	6,019	(473)
Interest income	5	1,365	1,141
Interest expense	6	(691)	(407)
		<hr/>	<hr/>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		6,693	261
Tax on profit on ordinary activities	9	(1,660)	(285)
		<hr/>	<hr/>
<b>PROFIT / (LOSS) FOR THE YEAR</b>		5,033	(24)
		<hr/>	<hr/>

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 £5,033,000 (2013 loss: £24,000). Hence, no statement of recognised gains and losses has been prepared.

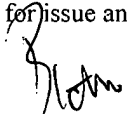
## Balance sheet

as at 31 August 2014

Company No. 02609100

		2014 £'000	2013 £'000
	Notes		
<b>FIXED ASSETS</b>			
Intangible fixed assets	10	35	–
Tangible fixed assets	11	1,282	1,610
		<u>1,317</u>	<u>1,610</u>
<b>CURRENT ASSETS</b>			
Stocks	12	604	46
Debtors falling due within one year	13	64,229	50,773
Debtors falling due after more than one year	13	21,783	21,925
Cash at bank and in hand		2,747	1,322
		<u>89,363</u>	<u>74,066</u>
<b>CREDITORS: amounts falling due within one year</b>	15	<u>(45,785)</u>	<u>(41,554)</u>
<b>NET CURRENT ASSETS</b>		<u>43,578</u>	<u>32,512</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>44,895</u>	<u>34,122</u>
<b>CREDITORS: amounts falling due after more than one year</b>	16	(10,655)	(5,463)
Provision for liabilities	17	(2,698)	(2,150)
<b>TOTAL NET ASSETS</b>		<u><u>31,542</u></u>	<u><u>26,509</u></u>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	18	–	–
Profit and loss account	19	31,542	26,509
<b>EQUITY SHAREHOLDERS' FUNDS</b>	19	<u><u>31,542</u></u>	<u><u>26,509</u></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: 2 February 2015

## Cash flow statement

for the year ended 31 August 2014

	2014 £'000	2013 £'000
<b>OPERATING ACTIVITIES</b>		
Operating Profit/(Loss)	6,019	(473)
<i>Adjustments for:</i>		
Depreciation of fixed assets	416	444
Amortisation of intangible assets	15	-
(Increase)/decrease in stocks	(558)	293
Increase in trade and other receivables	(13,457)	(16,314)
Increase in trade and other payables	5,559	5,255
Increase in deferred revenue	3,754	4,315
Increase in provisions	33	967
<b>Net cash flows from/(used in) operating activities</b>	<b>1,781</b>	<b>(5,513)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of tangible and intangible fixed assets	(138)	(123)
Interest received	1,365	1,141
<b>Net cash flows from investing activities</b>	<b>1,227</b>	<b>1,018</b>
<b>FINANCING ACTIVITIES</b>		
Interest paid	(176)	(113)
<b>Net cash flows used in financing activities</b>	<b>(176)</b>	<b>(113)</b>
<b>TAXATION</b>		
Corporation tax paid	(1,407)	(1,178)
<b>Net cash flows used in taxation</b>	<b>(1,407)</b>	<b>(1,178)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,425</b>	<b>(5,786)</b>
Cash and cash equivalents at 1 September	1,322	7,108
<b>CASH AND CASH EQUIVALENTS AT 31 AUGUST</b>	<b>2,747</b>	<b>1,322</b>

## Notes to the financial statements

for the year ended 31 August 2014

### 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 2013.

#### *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 31 March 2016. 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.

#### *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.

#### *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

for the year ended 31 August 2014

### 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 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.

##### *Sales of goods*

Sales of goods are recognised when the Company has delivered goods to the customer; the customer 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 2014

## 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. Amounts invoiced but unearned at the year end are treated as deferred revenue.

## 3. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging:

	Year ended 31 August 2014 £'000	Year ended 31 August 2013 £'000
Depreciation	416	444
Fees payable to the Company's auditor for the audit of the Company's annual accounts	29	26
Operating lease rentals – leasehold property	3,940	4,544
	<u>          </u>	<u>          </u>

## 4. EXCEPTIONAL RESTRUCTURING COSTS

Exceptional costs relate to non-recurring restructuring costs.

	Year ended 31 August 2014 £'000	Year ended 31 August 2013 £'000
Exceptional costs	-	1,261
	<u>          </u>	<u>          </u>

Exceptional costs in the prior year relate to redundancy costs.

## 5. INTEREST INCOME

	Year ended 31 August 2014 £'000	Year ended 31 August 2013 £'000
Interest on intercompany balances	1,365	1,141
	<u>          </u>	<u>          </u>



## Notes to the financial statements

for the year ended 31 August 2014

### 6. INTEREST EXPENSE

	Year ended 31 August 2014 £'000	Year ended 31 August 2013 £'000
Parent Company – loan interest	648	376
Unwinding of discount on dilapidation provision	43	31
	<u>691</u>	<u>407</u>

### 7. DIRECTORS' REMUNERATION

	Year ended 31 August 2014 £'000	Year ended 31 August 2013 £'000
Emoluments	901	808
Company contribution to pension schemes	22	21
	<u>923</u>	<u>829</u>

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

Emoluments	354	284
Company contribution to pension schemes	8	7
	<u>362</u>	<u>291</u>

The emoluments above includes amounts relating to a long term incentive plan which fell due within the year ended 31 August 2014 of £95,000 (2013: £nil).

The amount remunerated to directors of the Company by its parent, BPP Holdings Ltd, and not included above was £1,349,000 (2013: £1,103,000). 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, 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 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 2014

### 8. STAFF COSTS

Staff costs during the year amounted to:

	Year ended 31 August 2014	Year ended 31 August 2013
	£'000	£'000
Wages and salaries	26,877	30,845
Other Pension costs	515	270
Social security costs	2,919	3,254
	<u>30,311</u>	<u>34,369</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	244	258
Administration and services	334	346
Sales and Marketing	81	87
Materials, production and dispatch	31	31
	<u>690</u>	<u>722</u>

### 9. TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	Year ended 31 August 2014	Year ended 31 August 2013
	£'000	£'000
UK corporation tax		
Tax underprovided in prior years	153	-
Group relief payable	1,358	183
	<u>1,511</u>	<u>183</u>
Deferred tax (note 14)		
Origination and reversal of timing differences – current-year	12	(58)
Origination and reversal of timing differences – prior-year	137	(10)
Decrease in tax rate	-	170
	<u>149</u>	<u>102</u>
Tax on profit on ordinary activities	<u>1,660</u>	<u>285</u>

## Notes to the financial statements

for the year ended 31 August 2014

### 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 2014 £'000	Year ended 31 August 2013 £'000
Profit on ordinary activities before tax	6,693	261
Profit on ordinary activities multiplied by the rate of corporation tax in the UK of 22.17% (2013: 23.58%)	1,484	62
Effect of:		
Disallowed expenses and non-taxable income	149	53
Tax under provided in prior periods	153	-
Depreciation (below)/in excess of capital allowances	(156)	70
Other timing differences	(119)	(2)
Current tax charge for the year	1,511	183

The Finance Act 2013, which provides for a reduction in the main rate of UK Corporation Tax from 23% to 21%, effective 1 April 2014, and a further reduction to 20%, effective 1 April 2015, was substantively enacted on 17 July 2013. The future reduced rate has been reflected in the calculation of deferred tax.

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

The Company has unutilised capital losses of £75,000 (2013: £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 2014

### 10. INTANGIBLE FIXED ASSETS

	<i>Licenses</i> £'000	<i>Other</i> £'000	<i>Total</i> £'000
Cost:			
At 1 September 2013	105	-	105
Additions	-	50	50
	<u>105</u>	<u>50</u>	<u>155</u>
At 31 August 2014	105	50	155
	<u>105</u>	<u>50</u>	<u>155</u>
Amortisation:			
At 1 September 2013	105	-	105
Provided during the year	-	15	15
	<u>105</u>	<u>15</u>	<u>120</u>
At 31 August 2014	105	15	120
	<u>105</u>	<u>15</u>	<u>120</u>
Net book value:			
At 31 August 2014	-	35	35
	<u>-</u>	<u>35</u>	<u>35</u>
At 31 August 2013	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>

Other intangibles relates to intellectual property purchased in the current year.

### 11. TANGIBLE FIXED ASSETS

	<i>Leasehold</i> £'000	<i>Fixtures and fittings</i> £'000	<i>Office Equipment</i> £'000	<i>Total</i> £'000
Cost:				
At 1 September 2013	3,039	1,820	2,924	7,783
Additions	76	8	4	88
Reclassifications	25	(25)	-	-
Group Transfers in	-	70	19	89
Disposals	(44)	-	-	(44)
	<u>3,096</u>	<u>1,873</u>	<u>2,947</u>	<u>7,916</u>
At 31 August 2014	3,096	1,873	2,947	7,916
	<u>3,096</u>	<u>1,873</u>	<u>2,947</u>	<u>7,916</u>
Depreciation:				
At 1 September 2013	1,685	1,690	2,798	6,173
Provided during year	253	79	84	416
Group Transfers in	-	70	19	89
Disposals	(44)	-	-	(44)
	<u>1,894</u>	<u>1,839</u>	<u>2,901</u>	<u>6,634</u>
At 31 August 2014	1,894	1,839	2,901	6,634
	<u>1,894</u>	<u>1,839</u>	<u>2,901</u>	<u>6,634</u>
Net book value:				
At 31 August 2014	1,202	34	46	1,282
	<u>1,202</u>	<u>34</u>	<u>46</u>	<u>1,282</u>
At 31 August 2013	1,354	130	126	1,610
	<u>1,354</u>	<u>130</u>	<u>126</u>	<u>1,610</u>

## Notes to the financial statements

for the year ended 31 August 2014

### 12. STOCKS

	2014	2013
	£'000	£'000
Finished goods – books held for resale	604	46

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

### 13. DEBTORS

Amounts falling due within one year are:	2014	2013
	£'000	£'000
Trade debtors	23,910	17,777
Amounts due from fellow subsidiary undertakings	39,472	29,922
Amounts due from parent undertakings	223	2,673
Other debtors	39	63
Prepayments and accrued income	585	338
	<u>64,229</u>	<u>50,772</u>

Amounts falling due after more than one year are:	2014	2013
	£'000	£'000
Amounts due from fellow subsidiary undertakings	20,800	20,800
Deferred tax (note 14)	983	1,125
	<u>21,783</u>	<u>21,925</u>

### 14. DEFERRED TAX ASSET

	2014	2013
	£'000	£'000
At 1 September	1,125	1,227
Transfers	7	-
Arising in the year	(149)	(102)
	<u>983</u>	<u>1,125</u>

Deferred tax provided consists of:

	2014	2013
	£'000	£'000
Depreciation in excess of capital allowances	775	936
Other timing differences	208	189
	<u>983</u>	<u>1,125</u>

## Notes to the financial statements

for the year ended 31 August 2014

### 15. CREDITORS

Amounts falling due within one year are:	2014 £'000	2013 £'000
Trade creditors	121	82
Intercompany in respect of Group Corporation Tax Relief	1,357	1,246
Corporation tax	-	1
Amounts due to parent undertaking	880	408
Amounts due to fellow subsidiary undertakings	1,072	446
Other taxes	163	266
Other creditors	3,230	2,335
Advance payments received from customers	16,373	13,310
Deferred revenue	16,779	18,217
Accruals	5,810	5,244
	<u>45,785</u>	<u>41,554</u>

### 16. CREDITORS

Amounts falling due after more than one year are:	2014 £'000	2013 £'000
Deferred revenue	<u>10,655</u>	<u>5,463</u>

## Notes to the financial statements

for the year ended 31 August 2014

### 17. PROVISION FOR LIABILITIES

	Rent free provision	Provision for dilapidation	Other provisions	Total
	£'000	£'000	£'000	£'000
At 1 September 2013	452	422	1,276	2,150
Arising during the year	101	-	591	692
Unwinding of discount on provision	-	50	-	50
Utilised in the year	(133)	-	(61)	(194)
For the year ended 31 August 2014	<u>420</u>	<u>472</u>	<u>1,806</u>	<u>2,698</u>

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 at balance sheet date was £15,000,000 (after balance sheet date this has increased to £20,000,000), of which £14,000,000 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 2014. A provision of £1,806,000 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 2014 is £2.2m, on which the directors' best assessment of the potential liability is a further £246,000.

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 students and clients meet their payment obligations.

### 18. CALLED-UP SHARE CAPITAL

	2014 £	2013 £
Allotted, called up and fully paid ordinary shares of £1 each	<u>2</u>	<u>2</u>

## Notes to the financial statements

for the year ended 31 August 2014

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

	Profit and loss account £'000	Total share- holders' funds £'000
At 1 September 2013	26,509	26,509
Profit for the year	5,033	5,033
	<u>          </u>	<u>          </u>
For the year ended 31 August 2014	31,542	31,542
	<u>          </u>	<u>          </u>

Due to statutory restrictions BPP University Limited retained earnings of £33,839,000 (2013: £26,509,000) 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 2014 the Company had the following annual commitments under non-cancellable operating leases:

	2014 £'000	2013 £'000
Operating leases which expire:		
Within two to five years	731	189
In over five years	130	648
	<u>          </u>	<u>          </u>

Non-cancellable operating leases are for leasehold property.

### 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.