

# **Kaplan International Colleges U.K. Limited**

## **Annual report and financial statements**

for the 52 weeks ended 30 December 2017

Registered number 05268303

THURSDAY



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## Strategic report for the financial year ended 30 December 2017

The directors present their Strategic report for the 52 weeks ended 30 December 2017 ("the financial year"). The comparatives presented in this report and the audited financial statements are for the 53 weeks ended 30 December 2016.

### Principal activities

The principal activity of Kaplan International Colleges U.K Limited ("the company") is that of a holding company for its subsidiaries, which operate international colleges with the universities with whom they have co-operation agreements. The company also has separate articulation agreements into various UK universities.

The company provides leadership and support services to its subsidiary entities. These subsidiary entities offer higher education programmes for international students as preparation for study at UK universities. The company receives a placement fee from Universities when its University Placement Service successfully enrolls students into Universities with which it has articulation agreements. The company also worked with Middle East-based institutions to support the provision of English language teaching to students.

### Business review and future developments

In 2017, the company implemented a management fee for support services provided to its subsidiary entities in addition to recharges made to fellow group companies. During the financial year, the company also charged recruitment fees to universities for placing students. The company's contract in the Middle East to provide educational institutions with consultancy services came to an end in the financial year. The company continued to perform strongly and had a healthy net assets position at the year end.

The directors will continue to focus on the strategic direction of its business to generate further growth for the Kaplan network of Pathways colleges. There continues to be a focus on using the company's expertise to win further domestic and overseas contracts.

### Results

Turnover for the financial year amounted to £16,317k (2016: £683k). The gross profit for the financial year was £16,091k (2016: £514k). The profit for the financial year was £14,520k (2016: £2,698k) and has been transferred to reserves. Net assets as at 30 December 2017 were £36,361k (2016: net assets of £4,841k).

### Principal risks and uncertainties

The directors recognise that the management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the company are considered to be the competitive nature of the market; employee retention; the global economies; the increasing requirements for compliance and regulation from accrediting bodies and government and credit control.

The directors mitigate any business risks identified by:

- maintaining compliance and quality assurance programs;
- assessing any new projects on a cost-benefit basis and taking into account any local regulatory requirements;
- undertaking price comparisons to ensure that the competitive advantage is retained by the business;
- seeking feedback from those the company enters agreements with to ensure the company is responsive to client needs; and
- agrees payment terms and monitoring client debt levels.

### Key performance indicators ("KPIs")

For reasons of confidentiality and commercial interest further detail can be provided on request at the company's discretion.

The Strategic report was approved by the board of directors and signed on its behalf by:



D Jones  
Director

27 September 2018

## Directors' report for the financial year ended 30 December 2017

The directors present their report and the audited financial statements of the company for the financial year ended 30 December 2017. The comparatives presented in this report and the audited financial statements are for the 53 weeks ended 31 December 2016.

### Business review and future developments

The business review and future developments of the company are described in the Strategic report on page 2.

### Dividends

Dividends of £15,540k were received during the financial year (2016: £13,422k). There were no dividends paid during the financial year (2016: £Nil).

### Directors

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

D Jones  
A Thick  
R Dupont  
K Rose (appointed on 14 September 2017)

### Directors' indemnities

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance.

### Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The financial statements have been prepared on a going concern basis, which the directors believe to be appropriate based on its performance and because it has received an undertaking from Kaplan Inc., an intermediate parent undertaking, that it will continue to provide financial support as is required for the company to meet its obligations as they fall due for at least one year after these financial statements are signed.

### Employees' indemnities

The company maintains liability insurance for all employees. The liability insurance was in force during the financial year and also at the date of approval of the financial statements.

### Financial risk management

The company is exposed to financial risk including credit risk, liquidity risk, cash flow risk, foreign exchange risk and interest rate risk, arising from the company's normal business activities. These risks and the company's approach to dealing with them are discussed below.

#### *Credit risk*

Credit risk is the potential exposure of the company to loss in the event of non-performance by a counterparty. The company controls this risk by use of appropriate credit checks, limits and monitoring procedures.

#### *Liquidity risk*

Liquidity risk is the risk that insufficient working capital will be generated by the company's business activities and that in this event suitable sources of funding may not be available. The company mitigates this risk through group banking agreements with its subsidiaries and receiving sufficient funding from its parent company for operations and long-term investment plans. There is no commercial borrowing.

## Directors' report for the financial year ended 30 December 2017 (continued)

### Financial risk management (continued)

#### *Cash flow risk*

Cash flow risk is the risk that there are insufficient funds to meet obligations as they fall due. The company mitigates this risk by sweeping excess funds from its subsidiaries into its accounts and by receiving additional funds, if required, from other group undertakings.

#### *Foreign exchange risk*

Foreign exchange risk is the risk that foreign assets or liabilities may be adversely affected by the change in the value of the foreign currencies. Foreign exchange risk on the intercompany balances with the parent company is borne by the US company. Foreign exchange risk on the remaining foreign intercompany balances is borne by the UK company.

#### *Interest rate risk*

Interest rate risk is not material to the company.

### Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors 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.

In the case of each director in office at the date the Directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### Share issue

The authorised share capital of the company has increased by one share since the previous financial year. Details of the current authorised and issued share capital are set out in note 19 of the financial statements.

### Post balance sheet events

There are no significant events subsequent to Statement of financial position date.

## **Directors' report for the financial year ended 30 December 2017 (continued)**

### **Re-appointment of auditors**

Pursuant to section 487 of the Companies Act 2006, the auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

This report was approved by the board of directors and signed on its behalf:



D Jones

**Director**

27 September 2018

# ***Independent auditors' report to the members of Kaplan International Colleges U.K. Limited***

## **Report on the audit of the financial statements**

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### **Opinion**

In our opinion, Kaplan International Colleges U.K. Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 December 2017 and of its profit and cash flows for the 52 week period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the statement of financial position as at 30 December 2017; the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the 52 week period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### *Strategic Report and Directors' report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the period ended 30 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' report.

### **Responsibilities for the financial statements and the audit**

#### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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## **Other required reporting**

### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Michael Jones (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Gatwick

17 September 2018



**Statement of comprehensive income**  
*for the financial year ended 30 December 2017*

	Note	52 weeks ended 30 December 2017 £000	53 weeks ended 31 December 2016 £000
<b>Turnover</b>	5	16,317	683
Cost of sales		(226)	(169)
		<hr/>	<hr/>
<b>Gross profit</b>		16,091	514
Administrative expenses		(17,554)	(14,108)
		<hr/>	<hr/>
Operating loss		(1,463)	(13,594)
Income from shares in group undertakings	11	15,540	13,422
		<hr/>	<hr/>
<b>Profit/ (loss) before interest and taxation</b>		14,077	(172)
Interest receivable and similar income	6	258	295
		<hr/>	<hr/>
<b>Profit before taxation</b>	7	14,335	123
Tax on profit	10	185	2,575
		<hr/>	<hr/>
<b>Profit for the financial year</b>		14,520	2,698
		<hr/>	<hr/>
<b>Other comprehensive income for the year</b>		-	-
		<hr/>	<hr/>
<b>Total comprehensive income for the year</b>		14,520	2,698
		<hr/>	<hr/>

**Statement of financial position***as at 30 December 2017*

	Note	<b>30 December 2017</b>		<b>31 December 2016</b>	
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Fixed assets</b>					
Tangible assets	12		779		223
Investments	13		-		-
<b>Current assets</b>					
Debtors (including £100k (2016: £898k) due after more than one year)	14	166,743		113,868	
Cash at bank and in hand	15	5,089		2,913	
		<u>171,832</u>		<u>116,781</u>	
<b>Creditors: amounts falling due within one year</b>	16	<u>(136,250)</u>		<u>(112,163)</u>	
<b>Net current assets</b>			35,582		4,618
<b>Total assets less current liabilities</b>			<u>36,361</u>		<u>4,841</u>
<b>Net assets</b>			<u>36,361</u>		<u>4,841</u>
<b>Capital and reserves</b>					
Share capital and share premium	19		17,000		-
Capital contribution			900		900
Retained earnings			18,461		3,941
<b>Total equity</b>			<u>36,361</u>		<u>4,841</u>

The notes on pages 12 to 26 are an integral part of these financial statements.

The financial statements on pages 8 to 26 were authorised for issue by the board of directors on 27 September 2018 and were signed on its behalf by:



D Jones  
Director

Kaplan International College U.K. Limited  
Registered number 05268303

**Statement of changes in equity**  
*for the financial year ended 30 December 2017*

	Share capital and share premium £000	Capital contribution £000	Retained earnings £000	Total equity £000
At 1 January 2017	-	900	3,941	4,841
Profit for the financial year	-	-	14,520	14,520
Total comprehensive income for the year	-	-	14,520	14,520
Issue of shares	17,000	-	-	17,000
At 30 December 2017	17,000	900	18,461	36,361
At 27 December 2015	-	900	1,243	2,143
Profit for the financial year	-	-	2,698	2,698
Total comprehensive income for the year	-	-	2,698	2,698
At 31 December 2016	-	900	3,941	4,841

**Statement of cash flows***for the financial year ended 30 December 2017*

		<b>52 weeks ended 30 December 2017</b>	<b>53 weeks ended 31 December 2016</b>
	<b>Note</b>	<b>£000</b>	<b>£000</b>
<b>Cash flows from operating activities</b>			
Profit before taxation		<b>14,335</b>	<b>123</b>
Adjustments for:			
Depreciation of tangible assets	12	<b>67</b>	<b>71</b>
Taxation paid		<b>-</b>	<b>(2)</b>
Increase in debtors		<b>(52,875)</b>	<b>(59,069)</b>
Increase in creditors		<b>41,272</b>	<b>56,181</b>
<b>Net cash used in from operating activities</b>		<b>2,799</b>	<b>(2,696)</b>
<b>Cash flows from investing activities</b>			
Purchase of fixed assets	12	<b>(623)</b>	<b>(32)</b>
<b>Net cash used in investing activities</b>		<b>(623)</b>	<b>(32)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>2,176</b>	<b>(2,728)</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>2,913</b>	<b>5,641</b>
<b>Cash and cash equivalents at end of the year</b>		<b>5,089</b>	<b>2,913</b>
<b>Cash and cash equivalents at end of the year comprise:</b>			
Cash at bank and in hand	15	<b>5,089</b>	<b>2,913</b>
<b>Cash and cash equivalents</b>		<b>5,089</b>	<b>2,913</b>

## Notes to the financial statements for the financial year ended 30 December 2017

### 1 General information

The principal activity of the company is that of a holding company for its subsidiaries, which operate international colleges with the universities with whom they have co-operation agreements. The company also has separate articulation agreements with various UK universities.

The company provides leadership and support services to its subsidiary entities. These subsidiary entities offer higher education programmes for international students as preparation for study at UK universities. The company receives a placement fee from Universities when its University Placement Service successfully enrolls students into Universities with which it has articulation agreements. The company also worked with Middle East-based institutions to support the provision of English language teaching to students.

The company is a private company limited by shares and is incorporated in the United Kingdom. The address of its registered office is 2nd Floor, Warwick Building, Kensington Village, Avonmore Road, London W14 8HQ.

### 2 Statement of compliance

The financial statements have been prepared in accordance with the United Kingdom Accounting Standards, including Financial Reporting Standard 102, "the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102) and the Companies Act 2006.

### 3 Summary of significant accounting policies

The following accounting policies have been applied consistently throughout the financial year in dealing with items which are considered material in relation to the company's financial statements.

#### 3.1 Basis of preparation

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's policies (see note 4).

These financial statements are drawn up for the financial year ended 30 December 2017 while the comparatives presented are for the 53 weeks ended 31 December 2016.

The financial statements contain information about the company as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Graham Holdings Company (refer note 23).

#### 3.2 Going concern

The financial statements have been prepared on a going concern basis which the directors believe to be appropriate based on its performance and because they received an undertaking from Kaplan Inc., an intermediate parent undertaking, that it will continue to provide financial support as is required for the company to meet its obligations as they fall due for at least one year after these financial statements are signed.

#### 3.3 Exemptions under FRS 102

The company has taken advantage of the following exemptions:

- Non-disclosure of share based payment arrangements, required under FRS 102 paragraphs 26.18(c), 26.19 to 26.21 and 26.23.
- Non-disclosure of transactions or balances with entities that are part of the group or investments of the group qualifying as related parties where 100% of the company's voting rights are controlled within the group. This is a requirement under FRS 102.33.1A.
- Not to prepare consolidated financial statements as required under FRS 102 paragraph 9.2.
- Non-disclosure of the reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12 (a)(iv) of FRS 102.
- Non-disclosure of the company key management personnel compensation, as required by FRS 102 paragraph 33.7.
- The requirement to present disclosures relating to financial instruments as required by sections 11 and 12 of FRS 102.

## Notes to the financial statements for the financial year ended 30 December 2017 (continued)

### 3.4 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax. The following criteria are used to determine when revenue is recognised:

Turnover that arises from charging group companies management fees for the provision of support function services and strategic leadership is recognised annually, using a cost plus model.

Turnover also includes placement fees charged to universities for the recruitment of students who are not placed by the company's subsidiary colleges. This turnover is recognised at the enrolment of the students placed at the university.

Turnover that represents fees, in relation to contracts to provide management and consultancy services for English language and study skills teaching centres and for audit and review services to overseas academic institutions, is recognised in two ways: where the agreement stipulates a 'per-student' fee, turnover is recognised evenly over the duration of the course and where the contract provides for a reimbursement of costs, turnover is recognised as the costs are incurred to the levels provided in the contract. In addition, these contracts also include a teacher recruitment service. Turnover is recognised on successful placement of a new teacher.

### 3.5 Current and deferred taxation

Taxation expense for the financial year comprises current and deferred tax recognised in the financial year. Tax is recognised in the Statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

#### *Current taxation*

Current taxation is the amount of income tax payable or receivable in respect of the taxable profit or loss for the financial year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the financial year end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

#### *Deferred taxation*

Deferred tax arises from timing differences between the taxable profits/losses and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the financial year end and are expected to apply to the reversal of the timing difference.

### 3.6 Holiday pay accrual

As at the date of the Statement of financial position, a liability is recognised for any unused holiday entitlement that may, in accordance with company policy, be carried forward to be used in future periods. The liability is calculated as a pro-rata of base salary.

### 3.7 Pensions

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid, the company has no further payments obligations. The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the company which is administered by Aviva Insurance.

## Notes to the financial statements for the financial year ended 30 December 2017 (continued)

### 3.8 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

### 3.9 Investments

Investments are stated at cost less amounts written off in respect of permanent diminutions in value.

### 3.10 Tangible fixed assets and depreciation

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Fixtures, fittings and office equipment	20-33%
Computer equipment	20-33%

Assets under construction are measured at cost less any recognised impairment loss.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

At each reporting date, the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount. A review is carried out annually by the directors to assess if any indications of impairment exist.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Statement of comprehensive income.

### 3.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

### 3.12 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown as equity as a deduction, net of tax, from the proceeds.

Share premium account includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

## Notes to the financial statements for the financial year ended 30 December 2017 (continued)

### 3.13 Financial instruments

The company has chosen to adopt the recognition and measurement provisions of IAS 39 and disclosure requirements of sections 11 and 12 of FRS 102 in respect of financial instruments.

#### (i) Classification

The company classifies its financial assets in the following categories:

- measured at fair value through profit or loss (FVTPL);
- measured at fair value through other comprehensive income (FVOCI); and
- measured at amortised cost

Financial liabilities are classified in the following categories:

- measured at fair value through profit or loss (FVTPL); and
- measured at amortised cost

#### (ii) Measurement

At initial recognition, the company measures a financial asset and liability at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the Statement of comprehensive income.

For assets classified as subsequently measured at amortised cost, the interest revenue, expected credit losses and foreign exchange gains or losses are recognised in the statement of comprehensive income. On de-recognition, any gain or loss is recognised in the Statement of comprehensive income.

For assets classified as subsequently measured at fair value through other comprehensive income, the interest revenue, expected credit losses and foreign exchange gains or losses are recognised in the Statement of comprehensive income. Other gain and losses on re-measurement to fair value are recognised in other comprehensive income. On de-recognition, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to Statement of comprehensive income.

For assets classified as subsequently measured at fair value through profit and loss, all gains and losses are recognised in the Statement of comprehensive income.

Financial liabilities held for trading, derivatives and financial liabilities designated as at fair value through profit or loss on initial recognition are subsequently measured at fair value with all gains and losses being recognised in the Statement of comprehensive income.

Financial liabilities that are not classified at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

#### (iii) Impairment

At the end of each reporting period, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Statement of comprehensive income.

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



## Notes to the financial statements for the financial year ended 30 December 2017 (continued)

### 3.13 Financial instruments (continued)

#### (iv) De-recognition

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

#### (v) Offsetting

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

### 3.14 Foreign currency

The company's functional and presentational currency is GBP.

#### Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'interest receivable and similar income'. All other foreign exchange gains and losses are presented in the Statement of comprehensive income.

### 4 Judgements in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are addressed below.

Impairment of investments is accounted for based on periodic management review of the carrying value of the investment taking into account the investment's current financial position and future trading outlook.

Impairment of debtor balances is accounted for based on the contract the company had with its debtors. This will inform management's view of the fair value of the outstanding debt.

The company has an open tax issue with HMRC. Where the amount subject to challenge is expected to be recoverable and a reliable estimate of the outcome can be made; management, having taken external advice, have recognised a receivable balance. Management reviews the circumstances and the estimate of any receivable regularly and will provide against the receivable if the regular review results in a change in estimate.

## Notes to the financial statements for the financial year ended 30 December 2017 (continued)

### 5 Turnover

Turnover relates solely to the principal activities of the company.

	52 weeks ended 30 December 2017 £000	53 weeks ended 31 December 2016 £000
Analysis of turnover by geography:		
UK	16,207	146
Middle East	110	537
	<u>16,317</u>	<u>683</u>
Analysis of turnover by category:		
	52 weeks ended 30 December 2017 £000	53 weeks ended 31 December 2016 £000
Management fees receivable from group companies	15,483	-
University placement fees	490	84
Consultancy services	344	536
Tuition fees and other	-	63
	<u>16,317</u>	<u>683</u>

### 6 Interest receivable and similar income

	52 weeks ended 30 December 2017 £000	53 weeks ended 31 December 2016 £000
Intercompany interest receivable	258	280
Bank interest	-	15
	<u>258</u>	<u>295</u>

Intercompany interest is receivable on an unsecured loan made to Kaplan International Holdings Limited.

## Notes to the financial statements for the financial year ended 30 December 2017 (continued)

### 7 Profit before taxation

	52 weeks ended 30 December 2017 £000	53 weeks ended 31 December 2016 £000
Profit before taxation is stated after charging/(crediting):		
Staff costs	12,355	11,909
Fees payable to the company's auditors for the audit of the company's financial statements	10	20
Fees payable to the company's auditors in respect of other services and taxation	102	86
Depreciation of tangible fixed assets	67	71
Operating lease charges:		
Plant and machinery	10	4
Foreign exchange loss/(gain)	1,686	(26)

### 8 Staff numbers and costs

The average monthly number of persons employed by the company (including directors) during the financial year, analysed by category, was as follows:

	52 weeks ended 30 December 2017 Number	53 weeks ended 31 December 2016 Number
Type of work:		
Administration	194	193
	194	193

The aggregate payroll costs of those persons were as follows:

	52 weeks ended 30 December 2017 £000	53 weeks ended 31 December 2016 £000
Wages and salaries	10,805	10,581
Social security costs	1,355	1,147
Other pension costs (note 18)	195	181
	12,355	11,909

## Notes to the financial statements for the financial year ended 30 December 2017 (continued)

### 9 Directors' remuneration

Remuneration and pension contributions for one director (2016: one) is borne by Aspect Education Limited, a fellow subsidiary undertaking. Details of their remuneration can be found in Aspect Education Limited's financial statements. It is not possible to make an appropriate apportionment for the element of remuneration which relates to the company. Remuneration payable to the remaining three directors (2016: two) was as follows:

	52 weeks ended 30 December 2017 £000	53 weeks ended 31 December 2016 £000
Directors' emoluments	1,115	666
Long term incentive schemes for qualifying services	167	148
Company contributions to Group Personal Pension Plan	21	13
	<u>1,303</u>	<u>827</u>

The total remuneration for the highest paid director was £525k (2016: £481k).

In addition to the long term incentive schemes, at 30 December 2017, one (2016: one) director held 1,200 B Class Common Stock in the company's ultimate parent (2016: 2,300), Graham Holding Company and CableOne which were granted under a share incentive scheme issuing restricted stock. Of the 2,300 stocks that were carried forward to 2016, 1,500 stocks vested in 2017 and 800 stocks vest in 2019. 400 stocks were granted in the financial year (2016: none). The fair value per share as at 30 December 2017 was £607 (31 December 2016: £463).

### 10 Tax on profit

	52 weeks ended 30 December 2017 £000	53 weeks ended 31 December 2016 £000
The credit for taxation is made up as follows:		
Current tax:		
UK Corporation tax on profit for the year	(247)	(2,499)
Adjustments in respect of prior periods	28	36
Total current tax	<u>(219)</u>	<u>(2,463)</u>
Deferred tax		
Origination and reversal of timing differences	34	(84)
Effect of change of tax rate on opening balances	-	5
Adjustments in respect of prior periods	-	(33)
Total deferred tax (note 17)	<u>34</u>	<u>(112)</u>
Tax on profit	<u>(185)</u>	<u>(2,575)</u>

## Notes to the financial statements for the financial year ended 30 December 2017 (continued)

### 10 Tax on profit (continued)

The tax assessed for the period is lower (2016: lower) than the standard rate of corporation tax in the UK for the financial year ended 30 December 2017 of 19.25% (2016: 20.00%). The differences are explained below.

	52 weeks ended 30 December 2017 £000	53 weeks ended 31 December 2016 £000
<b>Profit before taxation</b>	<b>14,335</b>	<b>123</b>
Profit before taxation multiplied by the standard rate of tax in the United Kingdom of 19.25% (2016: 20.00%)	2,759	25
Effects of:		
Disallowed expenses	63	108
Income not taxable for tax purposes	(39)	(32)
Dividend from UK companies not taxable	(2,992)	(2,684)
Adjustments to tax charge in respect of previous periods	28	3
Effect of change of tax rate on opening balances	(4)	5
<b>Total tax credit for the financial year</b>	<b>(185)</b>	<b>(2,575)</b>

#### Factors affecting current and future tax charges

The standard rate of corporation tax in the UK changed from 20% to 19% with effect from 1 April 2017. Accordingly the company's profits for the accounting year are taxed at an effective rate of 19.25% (2016: 20%).

The Finance Act 2016 was substantively enacted on 15 September 2016. This Act included provisions reducing the main rate of UK corporation tax to 17% from 1 April 2020. Accordingly, the relevant deferred tax balances have been measured using the future Corporation tax rate of 17%.

### 11 Income from investments in group undertakings

	52 weeks ended 30 December 2017 £000	53 weeks ended 31 December 2016 £000
Dividends receivable from subsidiaries	15,540	13,422
	<b>15,540</b>	<b>13,422</b>

The dividends were settled via the intercompany accounts.

## Notes to the financial statements for the financial year ended 30 December 2017 (continued)

### 12 Tangible assets

	Fixtures, fittings and office equipment	Assets under construction	Computer equipment	Total
	£000	£000	£000	£000
<i>Cost</i>				
As at 1 January 2017	154	70	635	859
Additions	-	575	48	623
As at 30 December 2017	<b>154</b>	<b>645</b>	<b>683</b>	<b>1,482</b>
<i>Accumulated depreciation</i>				
As at 1 January 2017	151	-	485	636
Charge for year	3	-	64	67
As at 30 December 2017	<b>154</b>	<b>-</b>	<b>549</b>	<b>703</b>
<i>Net book value</i>				
As at 1 January 2017	3	70	150	223
As at 30 December 2017	<b>-</b>	<b>645</b>	<b>134</b>	<b>779</b>

### 13 Investments

Cost and Net book value	£000
As at 1 January 2017	-
As at 30 December 2017	-

## Notes to the financial statements for the financial year ended 30 December 2017 (continued)

### 13 Investments (continued)

The full list of the company's subsidiary undertakings at the year end is as follows:

Subsidiary undertakings	Country of incorporation	Principal activity	Percentage of ordinary shares held	Capital and reserves at 31 December 2016	Capital and reserves at 30 December 2017	Profit/(loss) for the financial year
				£000	£000	£000
Kaplan NT Limited	England & Wales	Higher Education	100%	2,355	734	379
Kaplan US Limited	England & Wales	Higher Education	100%	920	621	1
Kaplan Glasgow Limited	England & Wales	Higher Education	100%	4,960	3,419	2,459
Kaplan Liverpool Limited	England & Wales	Higher Education	100%	5,825	3,108	2,083
Kaplan International College London Limited	England & Wales	Higher Education	100%	3,780	3,435	2,455
Kaplan Brighton Limited	England & Wales	Higher Education	100%	2,132	1,241	239
Kaplan UWE Limited	England & Wales	Higher Education	100%	1,511	1,021	20
Kaplan Bournemouth Limited	England & Wales	Higher Education	100%	687	(34)	(721)
Kaplan Bath Limited	England & Wales	Dormant	100%	-	-	-
Kaplan York Limited	England & Wales	Higher Education	100%	(449)	(257)	192
Kaplan Colleges Private Limited	India	Higher Education	100%	134	417	94
Kaplan International Colleges (Private) Limited	Pakistan	Dormant	100%	-	-	-
Kaplan International Colleges Limited	Nigeria	Higher Education	99%	(274)	(306)	(90)
Kaplan Qatar Limited	Qatar	Dormant	100%	-	-	-
Kaplan Estates Limited	England & Wales	Property Management	100%	-	-	-
Kaplan Opening Learning Ltd	England & Wales	Higher Education	100%	-	-	-
Kaplan Opening Learning (Essex) Ltd	England & Wales	Higher Education	100%	(5,072)	(4,407)	665

In the opinion of the directors the investments in and amounts due from the company's subsidiary undertakings are worth at least the amounts at which they are stated in the Statement of financial position.

## Notes to the financial statements for the financial year ended 30 December 2017 (continued)

### 13 Investments (continued)

	Country of incorporation	Principal activity	Percentage of ordinary shares held	Capital and reserves at 31 December 2016	Capital and reserves at 30 December 2017	Profit for the financial year
				£000	£000	£000
<i>Associate</i>						
University of York Kaplan Pathway College LLP	England & Wales	Higher Education	45%	4,140	2,020	1,800

The amounts disclosed above have not been audited. All entities listed in the table above share the registered address with the company except for the following entities:

- Kaplan Colleges Private Limited (India)  
F-14, First Floor, Star City Dist. centre, Mayur Vihar-110091 New Delhi East Delhi DL 110091 IN.
- Kaplan International Colleges Limited (Nigeria)  
3<sup>rd</sup> Floor, Sapetro Towers, No.1, Adeola Odeku Street, Victoria Island State, Nigeria.
- University of York Kaplan Pathway College LLP  
Heslington Hall, Heslington, York, United Kingdom, YO10 5DD.

### 14 Debtors

	30 December 2017 £000	31 December 2016 £000
Trade debtors	15	2
Amounts owed by group undertakings in respect of taxation	247	2,500
Amounts owed by group undertakings	154,387	106,708
Other debtors	3,479	3,904
Deferred taxation (note 17)	133	167
VAT recoverable	8,271	-
Prepayments	211	587
	<u>166,743</u>	<u>113,868</u>

Trade debtors are stated after provisions for impairment. Provisions for impairment as at 30 December 2017 were £202k (2016: £100k).

The amounts due from group undertakings are unsecured and repayable on demand. With the exception of the intercompany loan to Kaplan International Holdings Limited, amounts due from group undertakings are interest free. The average interest rate applied to the Kaplan International Holdings Ltd loans were 2.50% (2016: 2.71%). Other debtors include £100k (2016: £898k) due after more than one year.

### 15 Cash at bank and in hand

	30 December 2017 £000	31 December 2016 £000
Cash at bank and in hand	<u>5,089</u>	<u>2,913</u>
	<u>5,089</u>	<u>2,913</u>



## Notes to the financial statements for the financial year ended 30 December 2017 (continued)

### 16 Creditors: amounts falling due within one year

	30 December 2017 £000	31 December 2016 £000
Trade creditors	6	4
Amounts owed to group undertakings	133,434	109,667
Other taxation and social security	698	727
Accruals	2,112	1,765
	<u>136,250</u>	<u>112,163</u>

The amounts owed to group undertakings are unsecured, interest free and repayable on demand.

### 17 Deferred tax asset

The amount included in the debtors note for deferred taxation is set out below:

	30 December 2017 £000	31 December 2016 £000
Difference between depreciation and capital allowances	43	40
Other timing differences	90	127
	<u>133</u>	<u>167</u>
	£000	
At 31 December 2016	167	
Charge to the Statement of comprehensive income (note 10)	(34)	
At 30 December 2017	<u>133</u>	

### 18 Pension scheme

The company contributes to a Group Personal Pension Plan administered by Aviva Insurance. The pension charge for the year amounted to £195k (2016: £181k). At 30 December 2017, there were contributions outstanding of £1k (2016: £5k).

### 19 Called up share capital and share premium

	30 December 2017 £000	31 December 2016 £000
<i>Allotted and fully paid</i>		
Two ordinary shares of £1 (2016: one)	-	-
Share premium	17,000	-
	<u>17,000</u>	<u>-</u>

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

During the year, the company issued one (2016: nil) ordinary share to Kaplan International Holdings Limited.

## Notes to the financial statements for the financial year ended 30 December 2017 (continued)

### 19 Called up share capital and share premium (continued)

	2017 Number
<i>Ordinary shares</i>	
At 1 January 2017	1
Share issued during the year	1
As 30 December 2017	<u>2</u>

Consideration received for the allotment of ordinary shares during the year was £17,000k.

### 20 Financial instruments

	30 December 2017 £000	31 December 2016 £000
The company has the following financial instruments:		
Cash and cash equivalents	5,089	2,913
Financial assets that are debt instruments measured at amortised cost:		
Trade debtors (note 14)	15	2
Amounts owed by group undertakings (note 14)	154,387	106,708
Other debtors (note 14)	3,479	3,904
	<u>162,970</u>	<u>113,527</u>
Financial liabilities measured at amortised cost:		
Trade creditors (note 16)	6	4
Amounts owed to group undertakings (note 16)	133,434	109,667
Other taxation and social security (note 16)	698	727
Accruals (note 16)	2,112	1,765
	<u>136,250</u>	<u>112,163</u>

### 21 Contingent liabilities

The company continues to be in correspondence with HMRC relating to its indirect taxation affairs. HMRC has challenged the company's practices in relation to accounting for VAT in certain circumstances and, in 2017 raised assessments for VAT relating to 2016 and earlier years amounting to £5,842k, which the company has paid, but is challenging. The company has also paid VAT for periods subsequent to those covered by the assessment and has treated all of these amounts as recoverable from HMRC pending successful conclusion of the matter which is to be heard by the First Tier Tribunal. The directors regularly review the recoverability of the balance having considered the facts relating to the above and having taken external advice, consider that the carrying value of debt recorded in the financial statement for recovery of VAT paid to HMRC to be appropriate. Having taken expert external advice, the directors do not feel that they should record the expense for the assessed amounts or for VAT subsequently paid to HMRC in relation to the same matter but consider the amounts as recoverable, pending the successful outcome of the challenge to HMRC. While the directors have made their best estimate of the recoverability of VAT, there is the possibility that any agreed final balance repayable by HMRC will be different to the amount recorded in the financial statements. The directors expect to conclude on this matter during the next 12 months.

**Notes to the financial statements for the financial year ended 30 December 2017  
(continued)**

**22 Related party disclosures**

There are no related party transactions requiring disclosure as the company has taken advantage of the exemption within FRS 102 that allows the non-disclosure of transactions or balances with entities that are part of the group or investments of the group qualifying as related parties where 100% of the company's voting rights are controlled within the group. The company is included in the consolidated financial statements of the Graham Holdings Company, which are publicly available.

**23 Controlling party**

Throughout the period the company was a wholly owned subsidiary of the immediate parent undertaking company Kaplan International Holdings Limited.

The only group in which the results of the company are consolidated is that headed by the ultimate holding company and controlling party, Graham Holdings Company, which is incorporated in the USA. Copies of its consolidated financial statements can be found online on the Graham Holdings company website ([www.ghco.com](http://www.ghco.com)).

**24 Events after the reporting date**

There are no significant events subsequent to Statement of financial position date.