

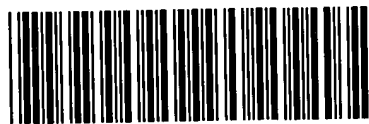
Company Registration No. 06009965
(England and Wales)

Navitas UK Holdings Limited

Annual Report and Financial Statements

For the year ended 30 June 2018

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Navitas UK Holdings Limited
Company Registration No. 06009965

Annual report and financial statements
For the year ended 30 June 2018

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Navitas UK Holdings Limited
Company Registration No. 06009965

Annual report and financial statements 2018

Company information

Directors

P Lovegrove
D Buckingham

Company Secretary

P Grant

Registered Office

Navitas UK Holdings Ltd
Littlemore Park
Armstrong Road
Oxford
OX4 4FY

Registered Number

06009965

Independent Auditor

Deloitte LLP
Statutory Auditor
Reading
United Kingdom

Navitas UK Holdings Limited
Company Registration No. 06009965

Strategic report
for the year ended 30 June 2018

The directors present their strategic report for the financial statements for the year ended 30 June 2018.

Principal activities and review of business

The principal activities of the company during the year was that of a holding company for companies that are involved in providing educational and training services. The directors do not currently anticipate any change in the company's business or activities for the foreseeable future.

Principal risks and uncertainties

One of our key risks in companies invested in is a high attrition rate amongst students. This is mitigated by investment in staff training and development in order to provide first class student satisfaction in the respective investment companies.

Another key risk is maintaining the various designations and compliance obligations which the company has to meet. This is mitigated by having appropriate internal controls and processes and qualified staff.

Financial risk management

The company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of the financial risk for the company are liquidity and cash flow risk. The directors review operations and transactions on an ongoing basis to ensure that any such exposure is managed to minimise any potential risk arising.

Exposure to liquidity and cash flow risk

Liquidity and cash flow risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company meets its day to day working capital requirements through operating cash flows, existing cash resources and ultimately, if required, by access to the ultimate holding company's cash pooling arrangements.

Key performance indicators

The company is non-trading and receives income in the form of interest received or receivable from group companies, dividends received and agency commissions. In the current year, the company made interest and dividend receivable income of £nil (2017: £4,475,049) and other operating income, mainly being agent commissions and management fees from related parties of £1,019,356 (2017: £286,327). Royalties of £2,306,913 (2017: £nil) were charged by Navitas SAE Holdings. Loss for the financial year after tax was £11,344,344 (2017: £2,406,587). There are no other key performance indicators for this company.

The position of the company has been discussed under going concern in the Director's report on page 3.

On behalf of the Board:



.....
P Lovegrove
Director

Director's report
for the year ended 30 June 2018

The directors present their annual report with the audited financial statements of the company for the year ended 30 June 2018.

Going concern

The directors have acknowledged the latest guidance regarding going concern. Whilst the current volatility in financial markets has created great uncertainty, the company continues trading as normal. The directors have considered the net current liabilities position of £32,280,940 (2017: £22,206,499) and the loss made in the year of £11,344,344 (2017: £2,406,587).

Navitas Limited, the company's ultimate parent company, has considerable financial resources, together with significant revenue streams across different geographic areas and industries and has expressed its willingness to continue to provide support to the company for the foreseeable future, and in particular for a period of at least twelve months from the date of these financial statements. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence. Thus, they continue to adopt the going concern basis in preparing the annual report and financial statements.

The directors do not recommend the payment of a dividend (2017: £nil). Financial risk management and business review have been discussed in the strategic report on page 2.

Subsequent events

There were no subsequent events, adjusting or non-adjusting at the date of the report.

Likely future developments

There are no likely future developments that will affect the company as at the date of the report. The company does not have any research and development activities going on or expected.

Directors

P Lovegrove held office during the whole of the period from 1 July 2017 to the date of this report. R M Jones resigned on 30 June 2018 and D Buckingham was appointed on 1 July 2018 to the date of this report.

Statement as to disclosure of information to auditor

Each of the persons who is a director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Directors' indemnities

The company has no qualifying third-party indemnity provisions for the benefit of its directors, which were made during the year or remain in force at the date of this report.

Auditor

The auditor, Deloitte LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

On behalf of the Board:



.....
P Lovegrove - Director

28th March 2019
Date:

Navitas UK Holdings Limited
Company Registration No. 06009965

Directors' responsibilities statement

The 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), including FRS 101 "Reduced Disclosure Framework". 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, subject to any material disclosed and explained in the financial statements; 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 Navitas UK Holdings Limited

Opinion

In our opinion the financial statements of Navitas UK Holdings Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 30 June 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement;
- the notes to the cash flow statement; and
- the related notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (FRC's) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in respect of these matters.

Independent auditor's report to the members of Navitas UK Holdings Limited (continued)

Responsibilities of directors

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, and for such internal control as the directors 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.

Auditor's 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 auditor's 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. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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 financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report and directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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; or

We have nothing to report in respect of these matters.

Use of our report

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.



Andrew Hornby (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Reading, United Kingdom

Date: 28 March 2019

Navitas UK Holdings Limited
Company Registration No. 06009965

Income statement
For the year ended 30 June 2018

	Notes	2018 £	2017 £
Turnover		-	-
Administrative expenses		(12,351,519)	(6,887,953)
Gross loss		(12,351,519)	(6,887,953)
Other operating income		1,019,356	286,327
Operating loss		(11,332,163)	(6,601,626)
Interest receivable and other income	5	-	4,475,049
Interest payable and expenses	6	(110,813)	(252,005)
Loss before taxation	7	(11,442,976)	(2,378,582)
Tax on profit	8	(1,368)	(28,005)
Loss for the financial year		<u>(11,444,344)</u>	<u>(2,406,587)</u>

The notes form part of these financial statements.

Navitas UK Holdings Limited
Company Registration No. 06009965

Statement of comprehensive income
For the year ended 30 June 2018

	2018	2017
	£	£
Loss for the year	(11,444,344)	(2,406,587)
Other comprehensive result for the year	-	-
Total comprehensive expense for the year	<u>(11,444,344)</u>	<u>(2,406,587)</u>

The notes form part of these financial statements.

Navitas UK Holdings Limited
Company Registration No. 06009965

Balance sheet
As at 30 June 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible fixed assets	9	216,128	250,883
Investments	10	13	1,347,985
		<u>216,141</u>	<u>1,598,868</u>
Current assets			
Debtors: amounts falling due within one year	11	31,673,361	21,626,788
Cash at bank and in hand		190,330	79,156
		<u>31,863,691</u>	<u>21,705,944</u>
Total current assets			
		31,863,691	21,705,944
Creditors: amounts falling due within one year	12	(64,144,631)	(43,912,443)
Net current liabilities		<u>(32,280,940)</u>	<u>(22,206,499)</u>
Total assets less current liabilities		<u>(32,064,799)</u>	<u>(20,607,631)</u>
Creditors: amounts falling due after more than one year	13	(65,538)	(78,362)
Net liabilities		<u>(32,130,337)</u>	<u>(20,685,993)</u>
Capital and reserves			
Called up share capital	15	2	2
Profit and loss account		(32,130,339)	(20,685,995)
		<u>(32,130,337)</u>	<u>(20,685,993)</u>
Shareholder's deficit		<u>(32,130,337)</u>	<u>(20,685,993)</u>

The financial statements were approved by the Board of Directors on 28th March 2019 and were signed on its behalf by:



.....
P Lovegrove
Director

The notes form part of these financial statements.

Navitas UK Holdings Limited
Company Registration No. 06009965

Statement of changes in equity
For the year ended 30 June 2018

	Called up share capital £	Profit and loss account £	Total equity £
Balance at 1 July 2016	2	(18,279,408)	(18,279,406)
Changes in equity			
Total comprehensive expense	-	(2,406,587)	(2,406,587)
Balance at 30 June 2017	2	(20,685,995)	(20,685,993)
Changes in equity			
Total comprehensive expense	-	(11,444,344)	(11,444,344)
Balance at 30 June 2018	2	(32,130,339)	(32,130,337)

The notes form part of these financial statements.

Navitas UK Holdings Limited
Company Registration No. 06009965

Cash flow statement
For the year ended 30 June 2018

	Note	2018 £	2017 £
Cash flows used in operating activities			
Cash generated from operations	1	(10,835,204)	(5,380,574)
Interest paid		(110,813)	(252,005)
Net cash used in operating activities		(10,946,017)	(5,632,579)
Cash flows used in investing activities			
Purchase of tangible fixed assets		(61,099)	(154,254)
Interest received		-	91,419
Dividends received		-	4,383,630
Net cash (used in)/from investing activities		(61,099)	4,320,795
Cash flows from financing activities			
Increase in Creditors (intercompany)		11,118,290	1,062,587
Increase/(decrease) in cash and cash equivalents		111,174	(249,197)
Cash and cash equivalents at beginning of year	2	79,156	328,353
Cash and cash equivalents at end of year		190,330	79,156

Notes on this page refer to Notes to the cash flow statement listed on page 13.

The notes form part of these financial statements.

Navitas UK Holdings Limited
Company Registration No. 06009965

Notes to the cash flow statement
For the year ended 30 June 2018

1. Reconciliation of loss before taxation to cash generated from operations

	2018 £	2017 £
Loss before taxation	(11,442,976)	(2,378,582)
Provision for deferred taxes	1,368	(28,005)
Depreciation expense	95,854	82,858
Finance costs	110,813	252,005
Finance income	-	(91,419)
Impairment of investment	1,347,972	1,000,002
Dividends received	-	(4,383,630)
	<u>(9,886,969)</u>	<u>(5,546,771)</u>
Increase in trade and other debtors	(580,865)	(1,097,730)
(Decrease)/increase in trade and other creditors	(367,370)	1,263,927
	<u>(10,835,204)</u>	<u>(5,380,574)</u>
Cash used in operations	<u>(10,835,204)</u>	<u>(5,380,574)</u>

2. Cash and cash equivalents

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts.

	2018 £	2017 £
Cash and cash equivalents	<u>190,330</u>	<u>79,156</u>

The notes form part of these financial statements.

Navitas UK Holdings Limited
Company Registration No. 06009965

Notes to the financial statements
For the year ended 30 June 2018

1. Statutory information

Navitas UK Holdings Limited is a private company, limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The company meets the definition of a qualifying entity and as permitted by paragraph 8 of FRS 101, the company, a wholly owned subsidiary of Navitas Limited, has elected to take advantage of the disclosure exemptions set out in note 2. These group financial statements are available to the public and can be obtained as set out in note 16.

2. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006. The company has not consolidated as the company and its investments will be consolidated by the ultimate holding company, in publicly available accounts, which has been named in note 16.

These financial statements are presented in Pounds (£) because that is the currency of the primary economic environment in which the company operates.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of paragraph 33(c) of IFRS 5 Non Current Assets Held for Sale and Discontinued Operations;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1; and
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group;
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairments of Assets;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers; and
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraph 90, 91 and 93 of IFRS 16 Leases.

Notes to the financial statements (continued)
For the year ended 30 June 2018

2. Accounting policies (continued)

Going concern

The company's business activities, together the factors likely to affect its future development and position, are set out in the Directors' Report on page 3. The company is expected to continue to generate positive cash flows on its own account for the foreseeable future.

The directors, having assessed the responses of the company's ultimate parent company, Navitas Limited to their enquiries have no reason to believe that a material uncertainty exists that may cast doubt about the ability of the company to continue as a going concern.

Based on their assessment and enquiries made of the ultimate parent company, Navitas Limited, 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.

New accounting standards and interpretations that were mandatory during the year

We have considered new standards as well as changes to the standards in the period including but not exclusively IFRS 2, IAS 7 and IAS 12. We have assessed the impact of these and concluded that they have not had a material effect on these financial statements and as such have not required retrospective adjustment or application.

Tangible fixed assets

All fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at annual rates calculated to write off the cost, less estimated residual value, over the expected useful life of each asset, as follows:

Furniture and equipment 25.0% to 33.3% straight line;

Leasehold improvements 10% straight line.

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as 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 using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to non-depreciable property measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset. In other cases, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Notes to the financial statements (continued)
For the year ended 30 June 2018

2. Accounting policies (continued)

Taxation (continued)

Deferred tax assets and liabilities are offset only if: a) the company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Functional currency

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

Employee benefit costs

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the income statement in the period to which they relate.

Related parties transactions

The company is a wholly owned subsidiary of Navitas Limited; the consolidated financial statements of which are publicly available. Accordingly, the company has taken advantage of the disclosure exemptions as permitted by FRS 101 "Reduced Disclosure Framework" and the requirements of IAS 24 Related Party Disclosures, from disclosing transactions within group companies.

Investments

Fixed asset investments are stated at cost less provision for diminution in value.

Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction.

If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments that have no stated interest rate (and do not constitute a financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Notes to the financial statements (continued)
For the year ended 30 June 2018

2. Accounting policies (continued)

Financial instruments (continued)

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Operating loss

Operating loss is stated after administrative and other operating expenses.

Interest

Interest is recognised when it is probable that the economic benefits will flow to or from the company and the amount of revenue or expense can be measured reliably. Interest is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or liability to its net carrying amount on initial recognition.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the company's accounting policies

The directors do not consider there to be any critical judgements surrounding the application of the company's accounting policies.

Key sources of estimation uncertainty

The directors do not consider there to be any key sources of estimation uncertainty.

Notes to the financial statements (continued)
For the year ended 30 June 2018

4. Employees and directors

	2018 £	2017 £
Wages and salaries	4,345,606	2,930,923
Social security costs	449,716	283,373
Other pension costs	308,936	192,932
	<u>5,104,258</u>	<u>3,407,228</u>

The average monthly number of employees during the year was as follows:

	2018	2017
Administrative	<u>90</u>	<u>69</u>

Staff costs include the emoluments of one director. The other director is paid by the ultimate holding company.

	2018 £	2017 £
Directors' remuneration	183,600	202,113
Directors' pension contributions to money purchase schemes	<u>36,720</u>	<u>32,040</u>

The number of directors to whom retirement benefits were accruing was as follows:

	2018	2017
Money purchase schemes	<u>1</u>	<u>1</u>

5. Interest receivable and other income

	2018 £	2017 £
Interest receivable from group undertakings	-	91,419
Dividends received	-	4,383,630
	<u>-</u>	<u>4,475,049</u>

6. Interest payable and similar expenses

	2018 £	2017 £
Interest payable to group undertakings	<u>110,813</u>	<u>252,005</u>

7. Loss before taxation

The loss before taxation is stated after expensing:

	2018 £	2017 £
Depreciation - owned assets	95,854	82,858
Auditor's remuneration	9,600	5,191
Foreign exchange differences	5,628	13,149
Impairment in investments	1,347,972	1,000,002
Royalties charged by Navitas SAE Holdings	<u>2,306,913</u>	<u>-</u>

Notes to the financial statements (continued)
For the year ended 30 June 2018

8. Taxation

Analysis of tax expense

	2018 £	2017 £
Current:		
Tax	-	-
Total tax current tax expense	-	-
	2018 £	2017 £
Deferred tax:		
Current year	(179)	8,384
Adjustment in respect of previous periods	1,528	22,012
Effect of changes in tax rates	19	(2,391)
Total tax expense in income statement	1,368	28,005

Factors affecting the tax expense

The tax assessed for the year is higher (2017: higher) than the standard rate of corporation tax in the UK. The difference is explained below:

	2018 £	2017 £
Loss before income tax	(11,442,976)	(1,378,580)
Loss multiplied by the standard rate of corporation tax in the UK of 19.00% (2017: 19.75%)	(2,174,165)	(272,270)
Effects of:		
Adjustments in respect of prior years	1,528	22,012
Expenses not deductible for tax purposes	295,840	29,538
Income not taxable	-	(865,797)
Tax rate changes	19	(2,400)
Effects of group relief/other reliefs	1,878,146	1,116,922
Tax expense	1,368	28,005

The Finance (No 2) Act 2016, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2018 and to 18% effective from 1 April 2020, was substantially enacted on 26 October 2016. Accordingly, the company's profits for this accounting period are taxed at an effective rate of 19.00% (2017: 19.75%). The standard rate will reduce further to 17% with effect from 1 April 2020. Subsequently, the Finance Act 2017, which provides for a further reduction in the main rate of corporation tax to 17% effective from 1 April 2020, was substantively enacted on 6 September 2017. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

We consider it appropriate to recognise the closing deferred tax balance at a rate of 17%, as we consider that there will be an immaterial difference between the reversal of the temporary differences at this rate and the appropriate blended rate based on a schedule of when we expect the temporary differences to reverse.

Notes to the financial statements (continued)
For the year ended 30 June 2018

9. Tangible fixed assets

	Improvements To property £	Furniture and equipment £	Totals £
Cost			
At 1 July 2017	123,451	296,512	419,963
Additions	-	61,099	61,099
At 30 June 2018	123,451	357,611	481,062
Depreciation			
At 1 July 2017	3,002	166,078	169,080
Expense for the year	31,935	63,919	95,854
At 30 June 2018	34,937	229,997	264,934
Net book value			
At 30 June 2018	88,514	127,614	216,128
At 30 June 2017	120,449	130,434	250,883

10. Investments

	Shares in group undertakings £
Cost	
At 1 July 2017	2,347,987
At 30 June 2018	2,347,987
Impairment	
At 1 July 2017	1,000,002
Impairment	1,347,972
At 30 June 2018	2,347,974
Net book value	
At 30 June 2018	13
At 30 June 2017	1,347,985

Impairment on investments was £1,347,972 for the year ended 30 June 2018 (2017: £1,000,002), which related to the impairment of Study Overseas Limited (2017: The International College at Robert Gordon University Limited).

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Notes to the financial statements (continued)
For the year ended 30 June 2018

10. Investments (continued)

The company's investments at the Balance Sheet date in the share capital of companies include the following:

Birmingham City International College Limited

Registered office: Littlemore Park, Armstrong Road, Oxford, OX4 4FY

Nature of business: Provision of education and training service

	%
Class of shares	Holding
Ordinary	100.00

Cambridge Ruskin International College Limited

Registered office: Littlemore Park, Armstrong Road, Oxford, OX4 4FY

Nature of business: Provision of education and training services

	%
Class of shares	Holding
Ordinary	100.00

Edinburgh International College Limited

Registered office: Littlemore Park, Armstrong Road, Oxford, OX4 4FY

Nature of business: Provision of education and training service

	%
Class of shares	Holding
Ordinary	100.00

International College Portsmouth Limited

Registered office: Littlemore Park, Armstrong Road, Oxford, OX4 4FY

Nature of business: Provision of education and training services

	%
Class of shares	Holding
Ordinary	100.00

The International College at Robert Gordon University Limited

Registered office: Littlemore Park, Armstrong Road, Oxford, OX4 4FY

Nature of business: Provision of education and training services

	%
Class of shares	Holding
Ordinary	100.00

International College Wales Limited

Registered office: Littlemore Park, Armstrong Road, Oxford, OX4 4FY

Nature of business: Provision of education and training services

	%
Class of shares	Holding
Ordinary	100.00

Plymouth Devon International College Limited

Registered office: Littlemore Park, Armstrong Road, Oxford, OX4 4FY

Nature of business: Provision of education and training service

	%
Class of shares	Holding
Ordinary	100.00

Notes to the financial statements (continued)
For the year ended 30 June 2018

13. Creditors: amounts falling due after more than one year

	2018 £	2017 £
Long Service Provision		
Balance at the beginning of the year	78,362	102,730
Current year expense	2,106	66,792
Paid during the year	-	(91,160)
Less current portion	(14,930)	-
Balance at the end of the year	<u>65,538</u>	<u>78,362</u>

The long service provisions are considered for certain employees that would have completed at least 5 years with the company and is based on the employee basic salaries at the end of each financial period. No discounting is considered as it is deemed to yield immaterial changes to the provisions. Where possible expected increases in the basic salaries are considered in the provision.

14. Deferred tax

	2018 £	2017 £
Provision at the start of the year	28,005	-
Deferred tax charged to the income statement for the period	(160)	28,005
Adjustments in respect to prior years	1,528	-
Provision at the end of the year (Note 12)	<u>29,373</u>	<u>28,005</u>

A deferred tax liability of £29,373 (2017: £28,005) has been recognised in respect of accelerated capital allowances. No unrecognised deferred tax liability arose as at year end.

15. Called up share capital

	Nominal value:	2018 £	2017 £
Authorised, allotted, issued and fully paid:			
Number: Class:			
2 ordinary	£1	<u>2</u>	<u>2</u>

16. Ultimate parent undertaking and controlling party

The directors consider that the immediate parent undertaking of the company is IBT Education (UK) Proprietary Limited, a company incorporated in Australia.

The ultimate parent company is Navitas Limited which is a company incorporated in Australia and listed on the Australian Stock Exchange. This is the smallest and largest company to consolidate the results of the company. The financial statements of Navitas Limited may be obtained from their registered address at Level 8, Brookfield Place, 125 St Georges Terrace, Perth, Western Australia, Australia 6000.