

REGISTERED NUMBER: 06770123 (England and Wales)

Annual Report and Financial Statements

for the Year Ended 30 June 2021

for

International College Portsmouth Ltd.



Contents of the Financial Statements for
the Year Ended 30 June 2021

	Page
Company Information	1
Report of the Directors	2
Statement of Directors' Responsibilities	5
Independent Auditor's Report	6
Income Statement	9
Other Comprehensive Income	10
Balance Sheet	11
Statement of Changes in Equity	12
Cash Flow Statement	13
Notes to the Cash Flow Statement	14
Notes to the Financial Statements	15

International College Portsmouth Ltd.

Company Information
for the Year Ended 30 June 2021

DIRECTORS:

S P Jones
P D Lovegrove
R H Wilkinson

SECRETARY:

Pennsec Limited

REGISTERED OFFICE:

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

REGISTERED NUMBER:

06770123 (England and
Wales)

AUDITORS:

Deloitte LLP
Statutory Auditor
Abbots House
Abbey Street
Reading
RG1 3BD

Report of the Directors
for the Year Ended 30 June 2021

The directors present their report with the financial statements of the Company for the year ended 30 June 2021.

PRINCIPAL ACTIVITY

The principal activity of the Company in the year under review was that of providing educational and training services. The directors do not currently anticipate any change in the Company's business or activities for the foreseeable future.

REVIEW OF BUSINESS

During the year, revenues decreased by 20% from £9,729,494 to £7,831,700, due to decrease in student numbers. Gross profit decreased by 18% from £5,435,722 to £4,483,444 and profit for the year increased by 19% from £3,234,933 to £3,845,578 due to cost efficiency. Going forward, the directors expect the Company continue trading as normal (online/social distance teaching) and remain profitable in the next 12 months.

Going concern

The directors have acknowledged the latest guidance regarding going concern. Whilst the current volatility in the macroeconomic environment as a result of the coronavirus pandemic creates great uncertainty, the Company continues trading as normal. The directors have considered the net current assets position of £16,258,471 (2020: £12,761,842) and the profit generated in the year of £3,845,578 (2020: £3,234,933).

The immediate controlling party is Navitas UK Holdings Ltd ("Parent"). The ultimate parent Company is Marron Group Holdings Pty Ltd. Marron Group Holdings Pty Ltd and its subsidiaries (referred to as 'Group') is a globally diversified business focused on the provision of educational services to domestic and overseas students.

Marron Group Holdings Pty Ltd 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.

FUTURE DEVELOPMENTS

The directors do not consider there to be any further future developments of relevance.

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in Note 15 to the financial statements.

DIRECTORS

The directors who held office during the year and to the date of this report was as follows:

S P Jones
P D Lovegrove
R H Wilkinson

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.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The Company does not use derivatives financial instruments for speculative purposes.

Cash flow risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.

Report of the Directors
for the Year Ended 30 June 2021

Credit risk

The Company's principal financial assets are bank balances and cash, trade and other receivables, and investments.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the Balance Sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses a mixture of long-term and short-term debt finance.

Further details regarding liquidity risk can be found in the Statement of accounting policies in the financial statements.

United Kingdom exit from the EU risk

The United Kingdom's exit from the European Union continues to be of principal interest to the Company. The Company continues to take an active interest in the development of political policy in this area, assessing and planning for a range of options that may present themselves in differing scenarios in the future.

Coronavirus pandemic

The ongoing COVID-19 pandemic and government restrictions have impacted the business and in turn the financial and operational performance.

Our priority during the pandemic has been to ensure that students and staff have as much support as possible. Student experience and academic outcomes remain the focus and we are working hard to maintain our diverse and inclusive learning communities. During this time the mental health and wellbeing of staff and students has also remained a top priority and we have introduced a range of initiatives to staff and students.

Management responded early to prepare for the impact of the pandemic taking prudent appropriate early actions during this challenging period. Actions taken will ensure that as COVID-19 restrictions are lifted the Company is well positioned to recover and grow, without losing focus on the experience and academic outcomes of our students. Early in the pandemic the business transitioned quickly to incorporate online learning with continued investments in technology to support a high-quality experience across all areas of the business.

As the global spread of COVID-19 continues, the Company's response continues to be guided by the advice of relevant governments and health authorities. The health and safety of our staff and students is our priority and we are taking proactive measures to protect their safety and wellbeing.

The United Kingdom's reputation for high quality education and a safe and friendly living environment underpins the appeal for international students in this market. The United Kingdom remains an attractive destination for international students as borders re-open. Future regulatory settings and the level of government restrictions will be key factors impacting upon the outlook for the international education sector. While the COVID-19 outlook remains uncertain we believe the roll-out of vaccination programs will ultimately result in a return to pre-pandemic conditions.

Whilst 2021 has been a year significantly impacted by the pandemic, the business has responded to every challenge presented and remains in a strong position. We have really seen our "values in action" shine through with these values demonstrated strongly through the behaviours and performance of our staff.

ENERGY AND CARBON PERFORMANCE

The Company has taken exemption from reporting on Energy and Carbon Performance as this information is included in the consolidated group financial statements of Navitas UK Holdings Limited, of which this Company is a member. Full disclosure can be found in the Navitas UK Holdings Limited Annual Report and Financial Statements for 2021.

Report of the Directors
for the Year Ended 30 June 2021

SMALL COMPANIES EXEMPTION

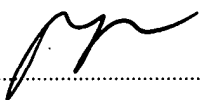
This Report of the Directors has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption. The directors have elected not to prepare a Strategic Report under the Companies Act exemption applicable to small entities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

Approved by the Board of Directors and signed on its behalf by:



P D Lovegrove - Director

Date: 30.3.2022

Statement of Directors' Responsibilities
for the Year Ended 30 June 2021

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 departures 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
International College Portsmouth Ltd.

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of International College Portsmouth Ltd (the 'company'):

- give a true and fair view of the state of the company's affairs as at 30 June 2021 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 other comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement;
- 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" (United Kingdom Generally Accepted Accounting Practice).

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 (the '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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

Independent Auditor's Report to the Members of
International College Portsmouth Ltd.

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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included Bribery Act, GDPR, Employment law and Health and Safety legislation.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud around the timing of revenue recognition (cut-off), and our executed the following specific procedures to address this risk:

- assessing the design and implementation of relevant controls; and
- performing substantive tests of detail, using a heightened sample size, to confirm the recognition of revenue in the correct period;

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Independent Auditor's report to the Members of
International College Portsmouth Ltd.

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

In the light of the knowledge and understanding of the company and their environment obtained in the course of the audit, we have not identified any material misstatements in the 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

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 FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Abbots House
Abbey Street
Reading
RG1 3BD

Date: 30 March 2022

International College Portsmouth Ltd. (Registered number: 06770123)

Income Statement
for the Year Ended 30 June 2021

	Notes	30.6.21 £	30.6.20 £
TURNOVER	4	7,831,700	9,729,494
Cost of sales		<u>(3,348,256)</u>	<u>(4,293,772)</u>
GROSS PROFIT		4,483,444	5,435,722
Administrative expenses		<u>(1,308,573)</u>	<u>(2,165,493)</u>
		3,174,871	3,270,229
Other operating income		<u>22,714</u>	<u>2,720</u>
OPERATING PROFIT		3,197,585	3,272,949
Interest receivable and similar income	6	<u>488,015</u>	<u>122,211</u>
PROFIT BEFORE TAXATION	7	3,685,600	3,395,160
Tax on profit	8	<u>159,978</u>	<u>(160,227)</u>
PROFIT FOR THE FINANCIAL YEAR		<u>3,845,578</u>	<u>3,234,933</u>

All amounts are derived from continuing operations.

The notes form part of these financial statements

International College Portsmouth Ltd. (Registered number: 06770123)

Other Comprehensive Income
for the Year Ended 30 June 2021

	Notes	30.6.21 £	30.6.20 £
PROFIT FOR THE YEAR		3,845,578	3,234,933
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>3,845,578</u>	<u>3,234,933</u>

The notes form part of these financial statements

International College Portsmouth Ltd. (Registered number: 06770123)

Balance Sheet
As at 30 June 2021

	Notes	30.6.21 £	30.6.20 £
FIXED ASSETS			
Tangible assets	9	11,450	10,297
CURRENT ASSETS			
Debtors	10	22,168,635	16,626,978
Cash at bank		-	1,873
		22,168,635	16,628,851
CREDITORS			
Amounts falling due within one year	11	(5,910,164)	(3,867,009)
NET CURRENT ASSETS		<u>16,258,471</u>	<u>12,761,842</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		16,269,921	12,772,139
CREDITORS			
Amounts falling due after more than one year	12	-	(347,796)
NET ASSETS		<u>16,269,921</u>	<u>12,424,343</u>
CAPITAL AND RESERVES			
Called up share capital	14	2	2
Profit and loss account		<u>16,269,919</u>	<u>12,424,341</u>
SHAREHOLDERS' FUNDS		<u>16,269,921</u>	<u>12,424,343</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the Board of Directors and authorised for issue on 30.3.2022 and were signed on its behalf by:


.....
P D Lovegrove - Director

The notes form part of these financial statements

Statement of Changes in Equity
for the Year Ended 30 June 2021

	Called up share capital £	Profit and loss account £	Total equity £
Balance at 1 July 2019	2	9,189,408	9,189,410
Changes in equity			
Total comprehensive income	-	<u>3,234,933</u>	<u>3,234,933</u>
Balance at 30 June 2020	<u>2</u>	<u>12,424,341</u>	<u>12,424,343</u>
Changes in equity			
Total comprehensive income	-	<u>3,845,578</u>	<u>3,845,578</u>
Balance at 30 June 2021	<u>2</u>	<u>16,269,919</u>	<u>16,269,921</u>

Cash Flow Statement
for the Year Ended 30 June 2021

	Notes	30.6.21 £	30.6.20 £
Cash flows used in operating activities			
Cash generated from/ (used in) operations	1	4,245	(44,106)
Tax paid		-	(160,227)
Net cash from operating activities		<u>4,245</u>	<u>(204,333)</u>
Cash flows (used in) from investing activities			
Purchase of tangible fixed assets		(6,118)	(157)
Interest received		-	122,211
Net cash from investing activities		<u>(6,118)</u>	<u>122,054</u>
Decrease in cash and cash equivalents		<u>(1,873)</u>	<u>(82,279)</u>
Cash and cash equivalents at beginning of year	2	1,873	84,152
Cash and cash equivalents at end of year	2	<u>-</u>	<u>1,873</u>

The notes form part of these financial statements

Notes to the Cash Flow Statement
for the Year Ended 30 June 2021

1. **RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

	30.6.21	30.6.20
	£	£
Profit before taxation	3,685,600	3,395,160
Depreciation charges	4,965	6,115
Finance income	<u>(488,015)</u>	<u>(122,211)</u>
	3,202,550	3,279,064
Increase in trade and other debtors	(5,053,642)	(4,120,324)
Increase in trade and other creditors	<u>1,855,337</u>	<u>797,154</u>
Cash used in operations	<u>4,245</u>	<u>(44,106)</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:

	30.6.21	30.6.20
	£	£
Cash and cash equivalents	<u><u>-</u></u>	<u>1,873</u>

Notes to the Financial Statements
for the Year Ended 30 June 2021

1. STATUTORY INFORMATION

International College Portsmouth Ltd. 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 address of the Company's registered office is shown on page 1.

The nature of the Company's operations and its principal activities are set out in the Report of the Directors on page 2 to 4.

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

2. ACCOUNTING POLICIES

Basis of preparation

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, standards not yet effective, certain disclosure in respect of revenue from contracts with customers, impairment of assets and certain related party transactions.

Where relevant, equivalent disclosures have been given in the group accounts of Marron Group Holdings Pty Ltd, refer to note 16.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services when originally obtained.

Going Concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Report of the Directors on page 2. The Company is expected to continue in existence for the next 12 months.

The directors, having assessed the responses of the Company's ultimate parent company, Marron Group Holdings Pty Ltd, 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 for the next 12 months.

Based on their assessment and enquires made of the ultimate parent Company, Marron Group Holdings Pty Ltd, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence in the foreseeable future being 12 months post signing of these accounts. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Turnover

Turnover representing tuition fees earned and ancillary income from students is recognised in line with the satisfaction of performance obligations, which for the Company means the provision of classes to students over the term of the course and is stated net of VAT.

For each distinct performance obligation, or bundle of performance obligations, the Company allocates the price, as determined by the terms and conditions of the student offer letter, based on the tuition fees for the academic year.

The Company's primary performance obligations is the delivery of tuition services. The Company has concluded that these should be recognised over time based on the stage of completion of the service being delivered to the customer. The stage of completion is measured by reference to the number of semester days held as a percentage of the total number of semester days in the course.

The Company's other performance obligations are recognised either over time, on a stage of completion basis, or at the point in time the service, or good, is sold. This determination is made on a case by case basis for each performance obligation based on the point at which control of the good or service completely passes to the customer.

When payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of Creditors: Amounts falling due within one year. Turnover is then recognised as outlined above.

Notes to the Financial Statements - continued
for the Year Ended 30 June 2021

2. ACCOUNTING POLICIES - continued

All turnover arises within the United Kingdom from the single principal activity.

Operating profit

Operating profit is stated after administrative and other operating expenses.

Deferred income

Deferred income represents a contract liability that arises as a result of upfront tuitions paid by or invoices issued to students before educational services are performed. When the invoices are issued to students or cash is paid by the student for tuition fees, the transaction price received is recognised as a contract liability until the services have been delivered to the customer. Refundable fees and charges are deducted when in accordance with the contractual agreements the right to return consideration has been achieved.

Revenue from tuition fees is recognised across the period of the semester as a proportion of the total semester days. All other revenue is recognised when charged to the students.

Royalty costs

The Company accrues for royalty obligations to its host university as a percentage of its applicable turnover as determined by the tuition delivery model.

The Company has paid a royalty to its parent company, Navitas Pty Limited, in recognition of the intellectual property value held by the global group. The payment is a percentage of its turnover.

Royalty costs are recorded within cost of sales in the income statement, with any unpaid balances at period end recorded as accruals and included as part of Creditors: Amounts falling due within one year.

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income 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 receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Tangible fixed assets

All fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all 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% to 33.3% 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.

A tangible fixed asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are measured initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Notes to the Financial Statements - continued
for the Year Ended 30 June 2021

2. ACCOUNTING POLICIES - continued

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Financial assets held by the Company are classified as 'loans and trade receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of the initial recognition. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Recognition and measurement

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the 'interest receivable and similar income' line item.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, trade debtors and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade debtors and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Notes to the Financial Statements - continued
for the Year Ended 30 June 2021

2. ACCOUNTING POLICIES - continued

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

1. the financial instrument has a low risk of default;
2. the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
3. adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Notes to the Financial Statements - continued
for the Year Ended 30 June 2021

2. ACCOUNTING POLICIES - continued

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

1. significant financial difficulty of the issuer or the borrower;
2. a breach of contract, such as a default or past due event (see (ii) above);
3. the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
4. it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
5. the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade debtors, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account and does not reduce the carrying amount of the financial asset in the balance sheet.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Notes to the Financial Statements - continued
for the Year Ended 30 June 2021

2. ACCOUNTING POLICIES - continued

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method.

Financial liabilities measured subsequently at amortised cost

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged; cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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.

Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially 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.

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 party 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.

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, management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Company. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Due to the inherent uncertainty actual results may differ from the judgements, estimates and assumptions.

The ongoing COVID-19 pandemic has increased the level of judgement and estimation applied in the preparation of the financial report. As at 30 June 2021, the duration and extent of the pandemic and related financial, social and public health impacts remain uncertain.

Notes to the Financial Statements - continued
for the Year Ended 30 June 2021

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

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.

4. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the Company.

An analysis of turnover by class of business is given below:

	30.6.21	30.6.20
	£	£
Tuition fees earned	7,741,825	9,287,706
Ancillary income from students	<u>89,875</u>	<u>441,788</u>
	<u>7,831,700</u>	<u>9,729,494</u>

All turnover arose in the United Kingdom.

5. EMPLOYEES AND DIRECTORS

	30.6.21	30.6.20
	£	£
Wages and salaries	1,066,772	1,084,491
Social security costs	93,048	97,930
Other pension costs	<u>76,469</u>	<u>75,974</u>
	<u>1,236,289</u>	<u>1,258,395</u>

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

	30.6.21	30.6.20
Administrative	20	15
Teaching staff	<u>35</u>	<u>34</u>
	<u>55</u>	<u>49</u>

No remuneration was paid to the directors during the year (2020: None).

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	30.6.21	30.6.20
	£	£
Interest received from group undertakings	<u>488,015</u>	<u>122,211</u>

Notes to the Financial Statements - continued
for the Year Ended 30 June 2021

7. PROFIT BEFORE TAXATION

The profit before taxation is stated after charging/(crediting):

	30.6.21	30.6.20
	£	£
Depreciation - owned assets	4,965	6,115
Auditors' remuneration relating to the audit of the financial statements	12,000	12,360
Government grants	(20,374)	(15,387)
Foreign exchange differences	322	59
Bad debts	<u>(100,000)</u>	<u>742,899</u>

During the year, the Company received government grants amounting to £20,374 (2020: £15,387) under the Coronavirus Job Retention Scheme.

8. TAXATION

Analysis of tax (income)/expense

	30.6.21	30.6.20
	£	£
Current tax:		
Tax	(160,730)	160,730
Deferred tax	<u>752</u>	<u>(503)</u>
Total tax (income)/expense in income statement	<u>(159,978)</u>	<u>160,227</u>

Factors affecting the tax expense

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	30.6.21	30.6.20
	£	£
Profit before income tax	<u>3,685,600</u>	<u>3,395,160</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	700,264	645,080
Effects of:		
Expenses not deductible	8,833	1,119
Tax rate changes	(66)	(103)
Group relief/ Other reliefs	(708,278)	(485,869)
Adjustment in respect of prior years	(160,730)	-
Other	<u>(1)</u>	<u>-</u>
Tax (income)/expense	<u>(159,978)</u>	<u>160,227</u>

Finance Act 2020 reinstated the corporation tax rate to 19% for the financial year commencing 1 April 2020 and this rate was used in the June 2020 deferred tax calculations. Finance Bill 2020 increases the corporation tax rate to 25% with effect from 1 April 2023. As deferred tax assets and liabilities are measured at the rates that are expected to apply in the periods of the reversal, deferred tax balances have been calculated at the rate at which the relevant balance is expected to be recovered or settled.

Notes to the Financial Statements - continued
for the Year Ended 30 June 2021

9. TANGIBLE FIXED ASSETS

	Furniture and equipment £
COST	
At 1 July 2020	204,595
Additions	<u>6,118</u>
At 30 June 2021	<u>210,713</u>
DEPRECIATION	
At 1 July 2020	194,298
Charge for year	<u>4,965</u>
At 30 June 2021	<u>199,263</u>
NET BOOK VALUE	
At 30 June 2021	<u>11,450</u>
At 30 June 2020	<u>10,297</u>

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30.6.21 £	30.6.20 £
Trade debtors	741,140	386,440
Amounts owed by other group undertakings	-	246
Amounts owed by parent company	21,426,871	16,238,896
Deferred tax (note 13)	624	1,376
Other debtors	<u>-</u>	<u>20</u>
	<u>22,168,635</u>	<u>16,626,978</u>

The amounts owed by parent company are not secured and have a variable rate of interest. These amounts are payable on demand.

Trade debtors is shown net of expected credit losses recognised amounting to £875,714 (2020: £975,713).

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30.6.21 £	30.6.20 £
Trade creditors	50,716	20,654
Amounts owed to other group undertakings	8,121	1,704
Corporation tax	-	160,730
Social security and other taxes	15,041	11,872
Deferred income	3,334,532	2,708,700
Accrued expenses	<u>2,501,754</u>	<u>963,349</u>
	<u>5,910,164</u>	<u>3,867,009</u>

The amounts owed to other group undertakings are not secured and do not have a variable rate of interest. These amounts are payable on demand.

Notes to the Financial Statements - continued
for the Year Ended 30 June 2021

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR – continued

	30.6.21	30.6.20
	£	£
Revenue recognised in the reporting period that was included in the deferred income balance at the beginning of the period	704,566	731,497
Revenue recognised in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods	-	-

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	30.6.21	30.6.20
	£	£
Long service provision	-	6,796
Onerous lease provision	-	341,000
	<u>-</u>	<u>347,796</u>

	30.6.21	30.6.20
	£	£
Long service provision		
Opening balance	6,796	24,075
Release during the year	(6,796)	(18,765)
Current year expense	-	1,486
Closing balance	<u>-</u>	<u>6,796</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.

	30.6.21	30.6.20
	£	£
Onerous lease provision		
Opening balance	341,000	-
Release during the year	(341,000)	-
Current year expense	-	341,000
Closing balance	<u>-</u>	<u>341,000</u>

Onerous contract provisions relate to a guarantee given over utilisation of certain student accommodation. In 2019, the Company entered into contracts with certain developers, where it guaranteed to pay a certain amount if the student utilisation threshold is not met. Due to the impact of the Covid-19 pandemic and the resulting government guidance in respect of local and national lockdowns, the Company has determined it will be unable to meet the guaranteed utilisation threshold. Given the uncertainty over timing of release of lockdowns, there is an element of uncertainty in the calculation of the provision.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The provision is measured at the lower of the expected cost of fulfilling the contract and the expected cost of terminating the contract to the extent that this exceeds the expected economic benefits of the contract. During the year, the balance of £341,000 was released by the Company.

Notes to the Financial Statements - continued
for the Year Ended 30 June 2021

13. DEFERRED TAX

	30.6.21	30.6.20
	£	£
Balance at the start of the year	1,376	873
Deferred tax charged to the income statement for the year	(752)	503
Balance at the end of the year	<u>624</u>	<u>1,376</u>

The deferred tax asset has been recognised on the basis that the Company continues to be profit making, and is expected to be profit making for the foreseeable future, such that there will be taxable profits against which this deferred tax asset can be utilised. A deferred tax asset of £624 (2020: £1,376) has been recognised in respect of capital allowances. There are no unrecognised tax losses or other temporary differences.

14. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:			30.6.21	30.6.20
Number:	Class:	Nominal value:	£	£
2	Ordinary shares	1	<u>2</u>	<u>2</u>

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

15. EVENTS AFTER THE REPORTING PERIOD

There have been no significant events occurring after the balance date which may affect either the Company's operations or results of those operations or the Company's state of affairs.

16. ULTIMATE CONTROLLING PARTY

The ultimate parent company at 30 June 2021 is Marron Group Holdings Pty Ltd, a company incorporated in Australia. This is the largest groups to consolidate the results of the Company. The consolidated financial statements of this group can be obtained at L26101 Collins St, 3000 Melbourne, Australia. Navitas UK Holdings Ltd is the smallest group to consolidate the results of the Company. The consolidated financial statements of this group can be obtained at Littlemore Park, Armstrong Road, Oxford, OX4 4FY, United Kingdom.

The immediate parent entity is Navitas UK Holdings Ltd.