Kaplan Open Learning (Essex) Limited

Annual report and financial statements

for the year ended 31 December 2018

Registered number: 06245017

Contents

Directors' report for the year ended 31 December 2018

The director presents the directors' report and the audited financial statements of Kaplan Open Learning (Essex) Limited ('the company') for the year ended 31 December 2018.

Principal activities

The company operates an affiliated college, in co-operation with the University of Essex, offering higher education programmes for students who wish to obtain a university degree via online study.

Business review and future developments

The company's results are a reflection of the increase in the number of new student enrolments during 2018.

The company has continued to invest in the design and delivery of high quality online higher education which has been recognised by external quality audits and independent student satisfaction surveys during the year as well as receiving a gold rating in the Government's Teaching Excellence and Student Outcomes Framework (TEF). The company has grown its postgraduate provision and continues to recruit an increased number of overseas students and, as such, is looking forward to increased volumes of trade in 2019.

It is anticipated that the planned launch of new courses and the growth of student enrolments in emerging international markets will continue to ensure sustained profits in the future.

Principal risks and uncertainties

The principal risks and uncertainties to the business are a significant change in the overall amounts of funding available for domestic higher education that would impact the online business, the general economic environment and increased competition.

The company does not anticipate that the departure of the UK from the European Union will have an impact on the enrolment of online students as they are not required to travel to the UK to study.

Key performance indicators ("KPIs")

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

Results and dividends

Turnover for the year amounted to £6,318k (2017: £5,296k). The profit for the financial year of £882k (2017: £659k) was taken to reserves. Net liabilities as at 31 December 2018 were £3,530k (2017: £4,412k).

No dividend was paid or proposed (2017: £nil).

Director

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

D Jones
A Thick

Directors' indemnities

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

Employees' indemnities

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

Directors' report for the year ended 31 December 2018 (continued)

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

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

Liquidity risk
Liquidity risk is the risk that insufficient working capital will be generated by the company's business activities and that in this event, suitable sources of funding may not be available. The company mitigates this risk by exercising effective credit management and, when required, receiving sufficient funding from its parent company for operations and long-term investment plans. There is no commercial borrowing.

Cash flow risk
Cash flow risk is the risk that there are insufficient funds to meet obligations as they fall due. The company collects tuition fees in advance from the majority of its students and has access to group funds to cover short term cash requirements.

Foreign exchange risk
Foreign exchange risk is the risk that foreign assets or liabilities may be adversely affected by the change in the value of the foreign currencies. The majority of transactions are sterling denominated and the company settles or seeks settlement of foreign currency denominated balances as quickly as possible to mitigate any exchange risk.

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

Directors' report for the year ended 31 December 2018 (continued)

Small company's exemption
In accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006, the company is exempt from the requirement to prepare a strategic report.

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

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

Re-appointment of auditors
Pursuant to section 487 of the Companies Act 2006, the auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the annual general meeting.

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

A Thick
Director
30 September 2019

Independent auditors' report to the members of Kaplan Open Learning (Essex) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Kaplan Open Learning (Essex) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2018; the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

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

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

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

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

Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Michael Jones (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Gatwick
30 September 2019

Statement of comprehensive income

for the year ended 31 December 2018

	Note	2018 £000	2017 £000
Turnover	4	**6,318**	5,296
Cost of sales		**(1,996)**	(1,976)
Gross profit		**4,322**	3,320
Administrative expenses		**(3,241)**	(2,493)
Profit before tax	5	**1,081**	827
Tax on profit	8	**(199)**	(168)
Profit for the financial year		**882**	659
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**882**	659

Statement of financial position

as at 31 December 2018

	Note	31 December 2018 £000	31 December 2018 £000	31 December 2017 £000	31 December 2017 £000
Fixed assets					
Tangible assets	9		**112**		48
Intangible assets	10		**97**		62
			209		110
Current assets					
Debtors	11	**1,660**		1,792	
Cash at bank and in hand	12	**2,483**		1,177	
		4,143		2,969	
Creditors: amounts falling due within one year	13	**(7,882)**		(7,491)	
Net current liabilities			**(3,739)**		(4,522)
Net liabilities			**(3,530)**		(4,412)
Capital and reserves					
Called up share capital	16		**-**		-
Accumulated losses			**(3,530)**		(4,412)
Total equity			**(3,530)**		(4,412)

The notes on pages 13 to 23 form part of these financial statements.

The financial statements on pages 9 to 23 were approved by the board of directors on 30 September 2019 and were signed on its behalf by:

A Thick
Director

Kaplan Open Learning (Essex) Limited
Registered number: 06245017

Statement of changes in equity

for the year ended 31 December 2018

	Called up share capital £000	Accumulated losses £000	Total equity £000
At 1 January 2017	-	(5,071)	(5,071)
Profit for the financial year	-	659	659
Total comprehensive income for the year	-	659	659
At 31 December 2016	-	(4,412)	(4,412)
At 1 January 2018	-	**(4,412)**	**(4,412)**
Profit for the financial year	-	**882**	**882**
Total comprehensive income for the year	-	**882**	**882**
At 31 December 2018	-	**(3,530)**	**(3,530)**

Statement of cash flows

for the year ended 31 December 2018

	Note	2018 £000	2017 £000
Cash flows from operating activities			
Profit before tax		**1,081**	827
Adjustments for:			
Depreciation of tangible assets	9	**60**	20
Amortisation of intangible assets	10	**30**	7
Decrease / (increase) in debtors		**157**	(276)
Increase / (decrease) in creditors		**167**	(365)
Net cash generated from operating activities		**1,495**	213
Cash flows from investing activities			
Purchase of tangible and intangible fixed assets	9&10	**(189)**	(82)
Net cash used in investing activities		**(189)**	(82)
Net increase in cash and cash equivalents		**1,306**	131
Cash and cash equivalents at beginning of year		**1,177**	1,046
Cash and cash equivalents at end of year	12	**2,483**	1,177
Cash and cash equivalents at end of the year comprise:			
Cash at bank and in hand	12	**2,483**	1,177
Cash and cash equivalents		**2,483**	1,177

Notes to the financial statements for the year ended 31 December 2018

1 General information

The company operates an affiliated college, in co-operation with the University of Essex, offering online higher education programmes for students who wish to obtain a university degree.

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

2 Accounting policies

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

Summary of significant accounting policies

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

Basis of preparation

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

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's policies (see note 3).

2.1 Going concern

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

2.2 Exemptions under FRS 102

The company has taken advantage of the following exemptions:

- Non-disclosure of share-based payment arrangements, required under FRS 102 paragraphs 26.18(c), 26.19 to 26.21 and 26.23;
- Non-disclosure of transactions or balances with entities that are part of the group or investments of the group qualifying as related parties where 100% of the company's voting rights are controlled within the group. This is a requirement under FRS 102.33.1A;
- Non-disclosure of the reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12 (a)(iv) of FRS 102;
- Non-disclosure of the company key management personnel compensation, as required by FRS 102 paragraph 33.7; and
- The requirement to present disclosures relating to financial instruments as required by sections 11 and 12 of FRS 102.

2.3 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable including discounts and excluding value added tax. Revenue is recognised when the specific criteria relating to each of the company's revenue streams have been met as described below.

Turnover in the form of tuition fees, in relation to courses delivered during the year, is recognised based on the average duration of study for the course, spread evenly over the period of the course. The company temporarily suspends recognition of turnover for students who pause their studies. Any receipts in advance of a course starting date are held on the Statement of financial position as deferred income. Where tuition has been provided to students but invoices are yet to be raised, such amounts are recognised as accrued income.

Notes to the financial statements for the year ended 31 December 2018 (continued)

2 Accounting policies (continued)

2.4 Current and deferred tax

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

Current tax

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

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

Deferred tax

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

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

2.5 Holiday pay accrual

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

2.6 Pensions

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

2.7 Dividends

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

2.8 Tangible fixed assets and depreciation

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

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

Assets under construction are measured at cost less any recognised impairment loss. These assets are capitalised when they are considered ready for use and depreciated from such date.

Notes to the financial statements for the year ended 31 December 2018 (continued)

2 Accounting policies (continued)

2.8 Tangible fixed assets and depreciation (continued)

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

Short leasehold land and buildings	-	10 years or term of lease, whichever is shorter
Fixtures and fittings and office equipment	-	5 – 10 years
Computer equipment and software	-	3 years

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

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

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

2.9 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

Product development	-	3 years

Amortisation is included in administrative expenses in the Statement of comprehensive income.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

Development costs that are directly attributable to the design and testing of identifiable and unique educational course content for the company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2.10 Cash and cash equivalents

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

Notes to the financial statements for the year ended 31 December 2018 (continued)

2 Accounting policies (continued)

2.11 Share capital

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

2.12 Financial instruments

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

(i) Classification

The company classifies its financial assets in the following categories:

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

Financial liabilities are classified in the following categories:

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

(ii) Measurement

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

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

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

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

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

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

(iii) Impairment

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

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

Notes to the financial statements for the year ended 31 December 2018 (continued)

2 Accounting policies (continued)

2.12 Financial instruments (continued)

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

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

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

2.13 Operating leases: Lessee

Rents due under operating leases are charged to the Statement of comprehensive income based on the amount contractually due for the period. Operating leases where increases are not deemed inflationary are charged on a straight-line basis over the period of the lease.

2.14 Foreign currency

The company's functional and presentational currency is GBP.

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

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

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

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

3 Judgements in applying accounting policies and key sources of estimation uncertainty

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

Allowance for doubtful short-term debtor balances is accounted for based on the status of the students, whether the amounts owed in relation to students are at risk of non-payment. These reviews are conducted during the year and at year-end. Allowance for doubtful debtor balances are based on historic trends as well as specific cases.

Notes to the financial statements for the year ended 31 December 2018 (continued)

4 Turnover

The turnover relates solely to the principal activity of the company which is considered to be one class of business and relates principally to sales in the UK.

5 Profit before tax

	2018 £000	2017 £000
Profit before tax is stated after charging/(crediting):		
Staff costs (note 7)	**1,698**	1,510
Auditors' remuneration	**11**	14
Depreciation of tangible assets (note 9)	**60**	20
Amortisation of intangible assets (note 10)	**30**	7
Bad debt expense	**108**	(69)
Foreign exchange (gains)/losses	**(21)**	6
Operating lease charges:		
- Land and buildings	**132**	132
- Plant and machinery	**1**	1

6 Directors' remuneration

Kaplan International Colleges U.K. Limited, a fellow subsidiary undertaking, bears the cost of remuneration for one director (2017: one). Aspect Education Limited, a fellow subsidiary undertaking, also bears the cost of remuneration for one director (2017: one). Details of their remuneration can be found in those companies' financial statements. It is not possible to make an appropriate apportionment for the element of remuneration which relates to the company.

7 Staff numbers and costs

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

Type of work	2018 Number	2017 Number
Tuition	**9**	7
Administration	**51**	41
	60	48

The aggregate payroll costs of those persons were as follows:

	2018 £000	2017 £000
Wages and salaries	**1,503**	1,351
Social security costs	**147**	129
Other pension costs (note 15)	**48**	30
	1,698	1,510

Notes to the financial statements for the year ended 31 December 2018 (continued)

8 Tax on profit

	2018	2017
The charge for tax is made up as follows:	**£000**	£000
Current tax:		
UK corporation tax on profits for the year	**211**	162
Adjustment in respect of prior years	**(5)**	-
Total current tax	**206**	162
Deferred tax:		
Origination and reversal of timing differences	**(5)**	6
Adjustments in respect of prior year	**(2)**	-
Total deferred tax (note 14)	**(7)**	6
Tax on profit	**199**	168

The tax assessed for the year is lower (2017: higher) than the standard effective rate of corporation tax in the UK for the year of 19.00% (2017: 19.25%). The differences are explained below.

	2018 £000	2017 £000
Profit before tax	**1,081**	827
Profit before tax multiplied by the standard rate of tax in the United Kingdom of 19.00% (2017: 19.25%)	**205**	159
Disallowed expenses	**1**	5
Adjustment in respect of group relief	**-**	4
Adjustment in respect of prior years – current tax	**(5)**	-
Adjustment to tax charge in respect of prior years – deferred tax	**(2)**	-
Total tax charge for the financial year	**199**	168

Factors affecting current and future tax charges
The standard rate of corporation tax in the UK changed from 20% to 19% with effect from 1 April 2017. Accordingly, the company's profits for the accounting year are taxed at an effective rate of 19.00% (2017: 19.25%).

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

Notes to the financial statements for the year ended 31 December 2018 (continued)

9 Tangible assets

	Short leasehold land and buildings	Fixtures and fittings and office equipment	Computer equipment and software	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2018	73	90	149	312
Additions	-	-	124	124
At 31 December 2018	**73**	**90**	**273**	**436**
Accumulated depreciation				
At 1 January 2018	64	65	135	264
Charge for the year	3	7	50	60
At 31 December 2018	**67**	**72**	**185**	**324**
Net book value				
At 31 December 2018	**6**	**18**	**88**	**112**
At 31 December 2017	9	25	14	48

10 Intangible assets

	Product development	Intangible assets under development	Total
Cost			
At 1 January 2018	58	11	69
Additions	56	9	65
At 31 December 2018	**114**	**20**	**134**
Accumulated amortisation			
At 1 January 2018	7	-	7
Charge for the year	30	-	30
At 31 December 2018	**37**	**-**	**37**
Net book value			
At 31 December 2018	**77**	**20**	**97**
At 31 December 2017	51	11	62

Notes to the financial statements for the year ended 31 December 2018 (continued)

11 Debtors

	2018	2017
	£000	£000
Amounts due within one year:		
Trade debtors	372	465
Amounts owed by group undertakings	1,169	1,188
Other debtors	21	21
Deferred tax (note 14)	25	18
Prepayments and accrued income	73	100
	1,660	1,792

Trade debtors are stated net of allowance for doubtful debts of £342k (2017: £234k).
The amounts due from group undertakings are unsecured, interest-free and repayable on demand.

12 Cash at bank and in hand

	2018	2017
	£000	£000
Cash at bank and in hand	2,483	1,177
	2,483	1,177

13 Creditors: amounts falling due within one year

	2018	2017
	£000	£000
Trade creditors	18	59
Amounts owed to group undertakings	3,801	4,020
Other creditors	408	320
Corporation tax	213	162
Other taxation and social security	55	16
Accruals and deferred income	3,387	2,914
	7,882	7,491

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

Notes to the financial statements for the year ended 31 December 2018 (continued)

14 Deferred tax

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

	2018 £000	2017 £000
Difference between accumulated depreciation and capital allowances	20	14
Other timing differences	5	4
	25	18

	2018 £000
At 1 January 2018	18
Credit to the Statement of comprehensive income	7
At 31 December 2018	25

15 Pension schemes

The company contributes to group personal pension plans administered by Aviva Insurance. The pension charge for the year amounted to £48k (2017: £30k). No contributions were outstanding at the end of the year (2017: £nil).

16 Called up share capital

	2018 £000	2017 £000
Allotted and fully paid		
One ordinary share of £1 (2017: £1)	-	-

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

17 Financial instruments

	2018	2017
The company has the following financial instruments:	£000	£000
Cash at bank and in hand (note 12)	2,483	1,177
Financial assets that are debt instruments measured amortised cost:		
Trade debtors (note 11)	372	465
Amounts owed by group undertakings (note 11)	1,169	1,188
Other debtors (note 11)	21	21
	4,045	2,851
Financial liabilities measured at amortised cost:		
Trade creditors (note 13)	18	59
Amounts owed by group undertakings (note 13)	3,801	4,020
Accruals (note 13)	927	863
	4,746	4,942

Notes to the financial statements for the year ended 31 December 2018 (continued)

18 Commitments

The company had future minimum lease payments under non-cancellable operating leases for land and buildings and plant and machinery as shown below:

	Land and buildings		Plant and machinery	
	2018	2017	**2018**	2017
	£000	£000	**£000**	£000
Payments due:				
Not later than one year	**132**	132	**1**	1
Later than one year but not later than five years	**165**	298	**1**	1
	297	430	**2**	2

19 Controlling party

Throughout the year the company was a wholly owned subsidiary of the immediate parent undertaking company Kaplan Open Learning Limited.

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

20 Post balance sheet events

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