

Kaplan Open Learning (Essex) Limited

Annual report and financial statements

for the year ended 31 December 2019

Registered number 06245017

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Directors' report for the year ended 31 December 2019

The directors present their report and the audited financial statements of Kaplan Open Learning (Essex) Limited ('the company') for the year ended 31 December 2019.

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 2019. Revenue increased by £1,496k to £7,814k from 2018. Profit for the year increased by £263k to £1,145k from 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 courses provision and continues to recruit an increased number of UK and overseas students and, as such, is looking forward to increased volumes of trade in 2020, despite the impact of Covid-19, as explained in Note 20.

It is anticipated that the planned launch of new courses and the growth of student enrolments in UK and 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 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.

The Covid-19 pandemic is having a significant impact on the global economy and management has carried out a risk assessment by reviewing the make-up of its student body to identify risks to its liquidity. The company's active student base is made up of UK and overseas students. The majority of UK students are in receipt of funding through the Student Loans Company, a government funded body, this funding option will continue to remain available to students. Self-funded UK or overseas students have either paid in advance, or are taking advantage of the flexible payment options available. Management has only seen a minimal increase in students who are unable to make payments as they fall due and therefore unable to continue their studies. However, this has been offset by the increase in enrolments, as a result of the accessibility of online learning during the pandemic.

In addition, the company has a broad footprint in relation to the geographical spread of its non-UK students and it is felt that this breadth will soften the impact of certain markets being strongly impacted by the pandemic, either as a result of the fall in local revenues, or an adverse movement in exchange rates. Management maintains a regular review of outstanding student debt and will halt a student's enrolment onto subsequent modules where fees remain unpaid, thereby reducing the risk of recognising revenue which could result in an increase in bad debt expense.

Specifically, in response to the office closure, activated as a response to Covid-19, the company avoided any business disruption by acquiring IT Hardware to allow all staff to work remotely.

Directors' report for the year ended 31 December 2019 (continued)

Results and dividends

Turnover for the year amounted to £7,814k (2018: £6,318k). The profit for the financial year of £1,145k (2018: £882k) was taken to reserves. Net liabilities as at 31 December 2019 were £2,385k (2018: £3,530k). No dividend was paid or proposed (2018: £nil).

Directors

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, via Graham Holdings Company, its ultimate parent company, 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.

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.

Directors' report for the year ended 31 December 2019 (continued)

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 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.

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.

Directors' confirmations

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.

OFS Reporting

The Directors confirm that whilst the primary purpose of reporting is to meet the statutory requirements of Companies Act in the UK, the financial statements have also been prepared in accordance with the requirements of Regulatory Advice 9 (Ref: OFS2018.26). The Directors confirm that the person nominated to the OFS as the accountable officer is Nicola Pittman.

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 disclose all matters of which we are aware that are relevant to the ability of the company and its subsidiary to continue as a going concern, including all significant conditions and events, mitigating factors and plans of the company. The company also has the intent and ability to take actions necessary to continue as a going concern, and has obtained a letter of support from Graham Holdings Company (the ultimate parent company) which provides support for meeting our liabilities as and when they fall due, but only to the extent that money is not otherwise available to meet such liabilities. This support will take the form of cash injection or parent company guarantees where appropriate and the support has been provided for a minimum period of 12 months from the date of signing of the financial statements.

Post balance sheet events

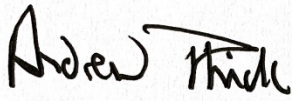
Details of post balance sheet event can be found in Note 20 to the financial statements.

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.

Directors' report for the year ended 31 December 2019 (continued)

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

A handwritten signature in black ink that reads "Andrew Thick". The signature is written in a cursive style with a large initial 'A' and a long horizontal stroke extending from the top of the 'A' over the word 'Thick'.

A Thick
Director
29 July 2020

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 2019 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 2019; 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

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

- 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 twelve months from the date when the financial statements are authorised for issue.

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

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 2019 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.



Frances Cucinotta (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 July 2020

Statement of comprehensive income
for the year ended 31 December 2019

	Note	2019 £000	2018 £000
Turnover	4	7,814	6,318
Cost of sales		<u>(2,801)</u>	<u>(1,996)</u>
Gross profit		5,013	4,322
Administrative expenses		<u>(3,596)</u>	<u>(3,241)</u>
Profit before tax	5	1,417	1,081
Tax on profit	8	<u>(272)</u>	<u>(199)</u>
Profit for the financial year		1,145	882
Other comprehensive income for the year		-	-
Total comprehensive income/(loss) for the year		<u><u>1,145</u></u>	<u><u>882</u></u>

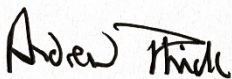
Statement of financial position

As at 31 December 2019

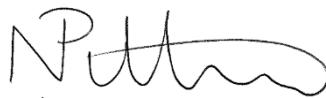
	Note	2019		2018	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	10		145		97
Tangible assets	9		80		112
			<u>225</u>		<u>209</u>
Current assets					
Debtors	11	3,771		1,660	
Cash at bank and in hand	12	<u>803</u>		<u>2,483</u>	
		4,574		4,143	
Creditors: amounts falling due within one year					
	13	<u>(7,184)</u>		<u>(7,882)</u>	
Net current liabilities					
			(2,610)		(3,739)
Net liabilities					
			<u>(2,385)</u>		<u>(3,530)</u>
Capital and reserves					
Called up share capital	16		-		-
Accumulated losses			(2,385)		(3,530)
Total equity					
			<u>(2,385)</u>		<u>(3,530)</u>

The notes on pages 13 to 24 form part of these financial statements.

The financial statements on pages 9 to 24 were approved by the board of directors and accountable officer to the OFS on 29th July 2020 and were signed on its behalf by:



A Thick
Director



N Pittman
Accountable officer to the OFS

Kaplan Open Learning (Essex) Limited
Registered number 06245017

Statement of changes in equity

for the year ended 31 December 2019

	Called up share capital £000	Accumulated losses £000	Total equity £000
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)
At 1 January 2019	-	(3,530)	(3,530)
Profit for the financial year	-	1,145	1,145
Total comprehensive income for the year	-	1,145	1,145
At 31 December 2019	-	(2,385)	(2,385)

Statement of cash flows*for the year ended 31 December 2019*

	Note	2019 £000	2018 £000
Cash flows from operating activities			
Profit for the year		1,145	882
Tax on profit		272	199
Operating profit		1,417	1,081
Adjustments for:			
Depreciation of tangible assets	9	60	60
Amoritsation of intangible assets	10	52	30
(Increase)/decrease in debtors	11	(2,111)	157
(Decrease)/increase in creditors	13	(698)	366
Taxation paid		(272)	(199)
Net cash (used in)/generated from operating activities		(1,552)	1,495
Cash flows from investing activities			
Purchase of fixed assets	9	(28)	(189)
Purchase of intangible assets	10	(100)	0
Net cash used in investing activities		(128)	(189)
Net (decrease)/increase in cash and cash equivalents		(1,680)	1,306
Cash and cash equivalents at the beginning of the year		2,483	1,177
Cash and cash equivalents at the end of the year		803	2,483
Cash and cash equivalents at the end of the year comprise:			
Cash at bank and in hand	12	803	2,483
Cash and cash equivalents		803	2,483

Notes to the financial statements for the year ended 31 December 2019

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 via online study.

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 Kensington Village, Avonmore Road, London, England, 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 principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared on a going concern basis, 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 disclose all matters of which we are aware that are relevant to the ability of the company and its subsidiary to continue as a going concern, including all significant conditions and events, mitigating factors and plans of the company. The company also has the intent and ability to take actions necessary to continue as a going concern, and has obtained a letter of support from Graham Holdings Company (the ultimate parent company) which provides support for meeting our liabilities as and when they fall due, but only to the extent that money is not otherwise available to meet such liabilities. This support will take the form of cash injection or parent company guarantees where appropriate and the support has been provided for a minimum period of 12 months from the date of signing of the financial statements.

2.2 Exemptions under FRS 102

The company has taken advantage of the following disclosures exemptions as part of wholly owned Group:

- 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 net of discounts and excluding value added tax.

Turnover is recognised based on the average duration of study of the course, between 8 to 48 months. The release of deferred revenue is estimated by management at each reporting date on an individual student basis. Management considers the length of the course, the average time it takes to complete the course, adjusted by the speed of study for each individual student. The company temporarily suspends recognition of turnover for students who pause their studies.

Notes to the financial statements for the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

2.3 Turnover (continued)

Any receipts in advance of a course starting date are held of the Statement of financial position as deferred income. Where tuition has been provided to students but invoice are yet to be raised, such amounts are recognised as accrued income.

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 profit and loss, 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 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.

2.6 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.

2.7 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 2019 (continued)

2 Accounting policies (continued)

2.7 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.

2.8 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
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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.

2.9 Cash and cash equivalents

Cash and cash equivalents includes 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 2019 (continued)

2 Accounting policies (continued)

2.10 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.

2.11 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) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

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 profit or loss.

If there is a 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 profit or loss.

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.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

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

(iii) 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.

2.12 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.

Notes to the financial statements for the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

2.13 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.

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 whether the amounts owed in relation to students are at risk of non-payment. The review of doubtful debt is conducted during the year and at year-end. Allowance for doubtful debtor balances are based on historic trends as well as specific cases.

The release of deferred revenue is estimated by management at each reporting date on an individual student basis. Management considers the length of the course, the average time it takes to complete the course, adjusted by the speed of study for each individual student.

4 Turnover

Turnover relates solely to the principal activity of the company which is considered to be one class of business and relates to services delivered from the UK.

5 Profit before tax

	2019	2018
	£000	£000
Profit before tax is stated after charging/(crediting):		
Staff costs (note 7)	2,145	1,698
Auditors' remuneration	15	11
Depreciation of tangible assets (note 9)	60	60
Amortisation of intangible fixed assets (note 10)	52	30
Bad debt expense	34	108
Foreign exchange losses/(gains)	42	(21)
Operating lease charges - land and buildings	81	132
Operating lease charges - Plant and machinery	1	1

Notes to the financial statements for the year ended 31 December 2019 (continued)

6 Directors' remuneration

Kaplan International Colleges U.K. Limited, a fellow subsidiary undertaking, bears the cost of remuneration for one director (2018: one). Aspect Education Limited, a fellow subsidiary undertaking, also bears the cost of remuneration for one director (2018: 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:

	2019	2018
	£000	£000
Type of activity		
Programme management & student services	30	21
Administration	41	39
	<u>71</u>	<u>60</u>

The aggregate costs of those persons were as follows:

	2019	2018
	£000	£000
Wages and salaries	1,892	1,503
Social security costs	176	147
Other pension costs (note 15)	77	48
	<u>2,145</u>	<u>1,698</u>

The number of persons employed by the company (including directors) during the year, analysed by the following pay band, was as follows:

	2019	2018
£100,000 to £105,000	-	-
£105,000 to £110,000	-	-
£110,000 to £115,000	-	1
£115,000 to £120,000	-	-
£120,000 to £125,000	-	-
£125,000 to £130,000	-	-
£130,000 to £135,000	-	-
£135,000 to £140,000	1	-

Notes to the financial statements for the year ended 31 December 2019 (continued)

8 Tax on profit

	2019	2018
	£000	£000
The charge / (credit) for taxation is made up as follows:		
Current tax:		
UK corporation tax on profit for the year	278	211
Adjustments in respect of prior periods	<u>1</u>	<u>(5)</u>
Total current tax	<u>279</u>	<u>206</u>
Deferred tax:		
Origination and reversal of timing differences	(5)	(5)
Adjustments in respect of prior periods	<u>(2)</u>	<u>(2)</u>
Total deferred tax (note 14)	<u>(7)</u>	<u>(7)</u>
Tax on profit	<u><u>272</u></u>	<u><u>199</u></u>

The tax assessed for the year is the same as the standard rate of corporation tax in the UK for the year of 19% (2018: 19%). The tax assessed are explained below:

	2019	2018
	£000	£000
Reconciliation of tax charge:		
Profit before tax	<u>1,417</u>	<u>1,081</u>
Profit before tax multiplied by the standard rate of tax in the United Kingdom of 19% (2018: 19%)	269	205
Effects of:		
Disallowed expenses	3	1
Adjustment to closing deferred tax to average rate of 19%	4	-
Adjustment to opening deferred tax to average rate of 19%	(3)	-
Adjustment to tax charge in respect of prior years - current tax	1	(5)
Adjustment to tax charge in respect of prior years - deferred tax	<u>(2)</u>	<u>(2)</u>
Total tax charge /(credit) for the financial year	<u><u>272</u></u>	<u><u>199</u></u>

Factors affecting current and future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

In November 2019, the Prime Minister announced that he intended to cancel the future reduction in corporation tax rate from 19% to 17%. This announcement does not constitute substantive enactment and therefore deferred taxes at the balance sheet date continue to be measured at the enacted tax rate of 17%. However, it is possible that the corporation tax rate remains at 19% after 1 April 2020.

Notes to the financial statements for the year ended 31 December 2019 (continued)

9 Tangible assets

	Short leasehold land and buildings £000	Fixtures, fittings and office equipment £000	Computer equipment and software £000	Total £000
<i>Cost</i>				
At 1 January 2019	73	90	273	436
Additions	-	-	28	28
At 31 December 2019	73	90	301	464
<i>Accumulated depreciation</i>				
At 1 January 2019	67	72	185	324
Charge for the year	3	7	50	60
At 31 December 2019	70	79	235	384
<i>Net book value</i>				
At 1 January 2019	6	18	88	112
At 31 December 2019	3	11	66	80

10 Intangible assets

	Product development £000	Intangible assets under development £000	Total £000
<i>Cost</i>			
At 1 January 2019	114	20	134
Additions	91	9	100
At 31 December 2019	205	29	234
<i>Accumulated amortisation</i>			
At 1 January 2019	37	-	37
Charge for the year	52	-	52
At 31 December 2019	89	-	89
<i>Net book value</i>			
At 1 January 2019	77	20	97
At 31 December 2019	116	29	145

Notes to the financial statements for the year ended 31 December 2019 (continued)

11 Debtors

	2019	2018
	£000	£000
Amounts due within one year:		
Trade debtors	425	372
Amounts owed by group undertakings	3,210	1,169
Other debtors	23	21
Deferred tax (note 14)	32	25
Prepayments and accrued income	81	73
	<u>3,771</u>	<u>1,660</u>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Trade debtors are stated after provisions for impairment of £308k (2018: £342k).

12 Cash at bank and in hand

	2019	2018
	£000	£000
Cash at bank and in hand	<u>803</u>	<u>2,483</u>
	<u>803</u>	<u>2,483</u>

13 Creditors: amounts falling due within one year

	2019	2018
	£000	£000
Trade creditors	-	18
Amounts owed to group undertakings	1,774	3,801
Other creditors	423	408
Corporation tax	219	213
Other taxation and social security	40	55
Deferred income	3,423	2,460
Accruals	1,305	927
	<u>7,184</u>	<u>7,882</u>

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

Notes to the financial statements for the year ended 31 December 2019 (continued)

14 Deferred tax

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

	2019	2018
	£000	£000
Difference between depreciation and capital allowances	21	20
Other timing differences	<u>11</u>	<u>5</u>
	<u>32</u>	<u>25</u>
At 1 January 2019	25	18
Credit to the Statement of comprehensive income (note 8)	7	7
At 31 December 2019	<u><u>32</u></u>	<u><u>25</u></u>

15 Pension schemes

The company contributes to the group personal pension plans administered by Aviva Insurance. The pension charge for the year amounted to £77k (2018: £48k). No contributions were outstanding at the end of the year (2018: £nil).

16 Called up share capital

	2019	2018
	£000	£000
<i>Allotted and fully paid</i>		
One ordinary share of £1 (2018: £1)	<u>-</u>	<u>-</u>

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

Notes to the financial statements for the year ended 31 December 2019 (continued)

17 Financial instruments

	2019	2018
	£000	£000
The company has the following financial instruments:		
Cash at bank and in hand (note 12)	803	2,483
Financial assets that are debt instruments measured at amortised cost:		
Trade debtors (note 11)	425	372
Amounts owed by group undertakings (note 11)	3,210	1,169
Other debtors (note 11)	23	21
	<u>4,461</u>	<u>4,045</u>
	2019	2018
	£000	£000
Financial liabilities measured at amortised cost:		
Trade creditors (note 13)	-	18
Other creditors (note 13)	423	408
Amounts owed to group undertakings (note 13)	1,774	3,801
Accruals (note 13)	1,305	927
	<u>3,502</u>	<u>4,746</u>

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	
	2019	2018	2019	2018
	£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	33	165	5	1
More than five years	0	0	1	0
	<u>165</u>	<u>297</u>	<u>7</u>	<u>2</u>

19 Controlling party

Throughout the year the company was a wholly owned subsidiary of the immediate parent undertaking company Kaplan Open Learning Limited. The results of the company are consolidated by its immediate parent company, copies of its consolidated financial statements can be found at Companies House website. Its registered address is 2nd Floor, Warwick Building Kensington Village, Avonmore Road, London, England, W14 8HQ. The ultimate controlling party is Graham Holdings, which is incorporated in the USA, details of which can be found on the Graham Holdings company website (www.ghco.com). Its registered address is 1300 North 17th Street, Suite 1700, Arlington VA 22209, United States.

Notes to the financial statements for the year ended 31 December 2019 (continued)

20 Post balance sheet events

On 11 March 2020 the World Health Organisation declared the coronavirus a global pandemic. The directors consider coronavirus to be a non-adjusting post balance sheet event. While the impact of coronavirus on the company remains uncertain, the directors note that to date the company has not been impacted in an adverse way and has seen enrolments increase as many are isolated at home and are keen to use the time at home for personal development. The pandemic is fast-moving and future events are uncertain and should there be a prolonged reduction in revenue in the future this would result in an indicator of impairment of the company's current and noncurrent assets.