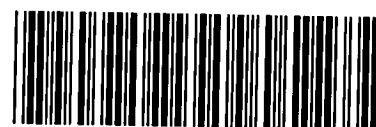


REGISTERED NUMBER: 06647488
(England and Wales)

SAE EDUCATION LIMITED
Annual Report and Financial Statements
For the Year Ended 30 June 2017

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for the Year Ended 30 June 2017**

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SAE EDUCATION LIMITED

**Company Information
for the Year Ended 30 June 2017**

DIRECTORS: P Grant
S Jones (resigned on 13 March 2017)
O McLaughlin (appointed on 13 March 2017)

COMPANY SECRETARY: P Grant

REGISTERED OFFICE: Littlemore Park
Armstrong Road
Oxford
OX4 4FY

REGISTERED NUMBER: 06647488 (England and Wales)

INDEPENDENT AUDITOR: Deloitte LLP
Abbotts House, Abbey Street
RG1 3BD
Reading
Berkshire
United Kingdom

SAE EDUCATION LIMITED (REGISTERED NUMBER: 06647488)

Directors' Report for the Year Ended 30 June 2017

The directors present their annual report with the audited financial statements of the company for the year ended 30 June 2017. This directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption.

Principal activity

The principal activity of the company in the year under review was that of provision of educational courses teaching audio engineering, digital film making and creative media design skills.

Review of business

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

During the year turnover increased by 308% from £1,214,160 to £4,952,143. The increase is due to a provision for VAT being recorded in the prior year, retrospectively since 2011 which decreased the revenues in prior year. The VAT case has been discussed further below. There was a loss for the year after tax of £2,885,240 (2016: loss for the year after tax of £3,435,075).

The directors do not recommend the payment of a dividend (2016: £nil)

The directors expect the general level of activity in the company to increase in the foreseeable future and the prospects to improve. This will occur via an increase in student numbers. Furthermore, the strict cost control measures that have been implemented will continue for the foreseeable future.

The Company (SAE UK) has been involved in a legal dispute with HMRC since 2011 over HMRC's assertion that VAT was chargeable on the provision of Higher Education by the company. In 2014 the First-tier Tribunal allowed the appeal of the company but HMRC were subsequently granted permission to appeal to the Upper Tribunal and in 2016 were found to be successful in that appeal. The Company were granted permission to appeal to the Court of Appeal but in July 2017 their appeal was dismissed.

The company has now been granted leave to appeal to The Supreme Court.

Going concern

The directors have acknowledged the latest guidance regarding going concern. Whilst the current volatility in financial markets has created great uncertainty, the company continues trading as normal. The directors have considered the net current liabilities position of £13,732,325 (2016: £10,875,401) and the loss made in the year of £2,885,240 (2016: £3,435,075) and have plans in place to improve profitability in the coming years.

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

Principal risks and uncertainties

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

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

All key risks are regularly reviewed and updated via the company risk register.

Dividends

The directors do not recommend a dividend for the year ended 30 June 2017 (2016: £nil).

SAE EDUCATION LIMITED (REGISTERED NUMBER: 06647488)

**Directors' Report (continued)
for the Year Ended 30 June 2017**

Directors

P Grant has held office during the whole of the period from 1 July 2016 to the date of this report.

Other changes in directors holding office are as follows:

S Jones - resigned 13 March 2017

O McLaughlin - appointed on 13 March 2017

Statement as to disclosure of information to auditor

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

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

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

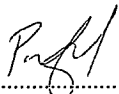
Director's indemnities

The company has not made qualifying third party indemnity provisions for the benefit of its directors, which were made during the year or remain in force at the date of this report.

Auditor

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

On behalf of the board:



.....
P Grant - Director

Date: 26th March 2018

**Report of the Directors
for the Year Ended 30 June 2017**

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Report of the Independent Auditor to the Members of
SAE Education Limited**

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of SAE Education Limited (the 'company') which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement;
- the notes to the cash flow statement; and
- the related notes 1 to 13.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Report of the Independent Auditor to the Members of SAE Education Limited (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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


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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.


Andrew Hornby (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Reading, United Kingdom

Date: 26/3/18

SAE EDUCATION LIMITED (REGISTERED NUMBER: (06647488))**Income Statement
for the Year Ended 30 June 2017**

	Notes	2017 £	2016 £
TURNOVER		4,952,143	1,214,160
Cost of sales		<u>(3,474,463)</u>	<u>(2,721,513)</u>
GROSS PROFIT/(LOSS)		1,477,680	(1,507,353)
Administrative expenses		<u>(5,203,023)</u>	<u>(5,169,593)</u>
		(3,725,343)	(6,676,946)
Other operating income		<u>912,592</u>	<u>3,326,685</u>
OPERATING LOSS		(2,812,751)	(3,350,261)
Interest payable and similar expenses	5	<u>(72,489)</u>	<u>(84,814)</u>
LOSS BEFORE TAXATION	6	(2,885,240)	(3,435,075)
Taxation	7	<u>-</u>	<u>-</u>
LOSS FOR THE FINANCIAL YEAR		<u>(2,885,240)</u>	<u>(3,435,075)</u>

SAE EDUCATION LIMITED (REGISTERED NUMBER: (06647488))

**Statement of Other Comprehensive Income
for the Year Ended 30 June 2017**

	Notes	2017 £	2016 £
LOSS FOR THE YEAR		(2,885,240)	(3,435,075)
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u>(2,885,240)</u>	<u>(3,435,075)</u>

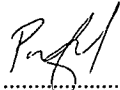
SAE EDUCATION LIMITED (REGISTERED NUMBER: (06647488))

**Balance Sheet
As at 30 June 2017**

	Notes	2017 £	2016 £
FIXED ASSETS			
Tangible assets	8	<u>1,644,374</u>	<u>1,672,690</u>
CURRENT ASSETS			
Debtors	9	2,244,053	4,609,686
Cash at bank and in hand		<u>164,274</u>	<u>163,618</u>
		2,408,327	4,773,304
CREDITORS			
Amounts falling due within one year	10	<u>(16,140,652)</u>	<u>(15,648,705)</u>
NET CURRENT LIABILITIES		<u>(13,732,325)</u>	<u>(10,875,401)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES BEING NET LIABILITIES		<u>(12,087,951)</u>	<u>(9,202,711)</u>
RESERVES			
Profit and loss account		<u>(12,087,951)</u>	<u>(9,202,711)</u>
		<u>(12,087,951)</u>	<u>(9,202,711)</u>

The financial statements have been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to the small companies regime.

The financial statements were approved by the Board of Directors on 26th March 2018 and were signed on its behalf by:


.....
P Grant - Director

SAE EDUCATION LIMITED (REGISTERED NUMBER: (06647488))

**Statement of Changes in Equity
for the Year Ended 30 June 2017**

	Profit and loss account £	Total equity £
Balance at 1 July 2015	(5,767,636)	(5,767,636)
Changes in equity		
Total comprehensive loss	<u>(3,435,075)</u>	<u>(3,435,075)</u>
Balance at 30 June 2016	<u>(9,202,711)</u>	<u>(9,202,711)</u>
Changes in equity		
Total comprehensive loss	<u>(2,885,240)</u>	<u>(2,885,240)</u>
Balance at 30 June 2017	<u><u>(12,087,951)</u></u>	<u><u>(12,087,951)</u></u>

SAE EDUCATION LIMITED (REGISTERED NUMBER: (06647488))

**Cash Flow Statement
for the Year Ended 30 June 2017**

	Notes to cash flow	2017 £	2016 £
Cash flows from operating activities			
Cash generated from operations	1	(5,868,499)	637,465
Interest paid		<u>(72,489)</u>	<u>(84,814)</u>
Net cash from operating activities		<u>(5,940,988)</u>	<u>552,651</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(625,171)	(679,372)
Sale of tangible fixed assets		<u>5,648</u>	<u>5,887</u>
Net cash from investing activities		<u>(619,523)</u>	<u>(673,485)</u>
Cash flows from financing activities			
Decrease net intercompany balance		<u>6,561,167</u>	<u>89,283</u>
Net cash from financing activities		<u>6,561,167</u>	<u>89,283</u>
Increase/(decrease) in cash and cash equivalents		656	(31,551)
Cash and cash equivalents at beginning of year	2	<u>163,618</u>	<u>195,169</u>
Cash and cash equivalents at end of year	2	<u><u>164,274</u></u>	<u><u>163,618</u></u>

SAE EDUCATION LIMITED (REGISTERED NUMBER: (06647488))

**Notes to the Cash Flow Statement
for the Year Ended 30 June 2017**

1. RECONCILIATION OF LOSS BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2017	2016
	£	£
Loss before taxation	(2,885,240)	(3,435,075)
Depreciation expenses	647,839	770,810
Finance costs	<u>72,489</u>	<u>84,814</u>
	(2,164,912)	(2,579,451)
Decrease/(increase) in trade and other debtors	67,824	(424,580)
(Decrease)/increase in trade and other creditors	<u>(3,771,411)</u>	<u>3,641,496</u>
Cash generated from operations	<u>(5,868,499)</u>	<u>637,465</u>

2. CASH AND CASH EQUIVALENTS

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

	2017	2016
	£	£
Cash and cash equivalents	<u>164,274</u>	<u>163,618</u>

SAE EDUCATION LIMITED (REGISTERED NUMBER: (06647488))

Notes to the Financial Statements for the Year Ended 30 June 2017

1. STATUTORY INFORMATION

SAE Education Limited is a private company, limited by guarantee, incorporated in England under the Companies Act 2006 and is registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The company meets the definition of a qualifying entity and as permitted by paragraph 8 of FRS 101, the company, a wholly owned subsidiary of Navitas Limited, has elected to take advantage of the disclosure exemptions as set out in note 2. These group financial statement are available to the public and can be obtained as set out in note 12.

2. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

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

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

- the requirements of paragraph 33(c) of IFRS 5 Non Current Assets Held for Sale and Discontinued Operations;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
 - paragraphs 76 and 79(d) of IAS 40 Investment Property; and
 - paragraph 50 of IAS 41 Agriculture;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group;
- the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairments of Assets; and
- the requirements of IFRS 7 Financial Instruments: Disclosures.

Going concern

The company's business activities, together the factors likely to affect its future development and position, are set out in the Directors' Report on page 2. The company is expected to continue to generate positive cashflows on its own account for the foreseeable future.

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

Based on their assessment and enquiries made of the ultimate parent company, Navitas Limited, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

New accounting standards and interpretations not yet mandatory or early adopted

We have considered new standards as well as changes to the standards in the year including but not exclusively IAS 1, IAS 16, IAS 38 and IAS 27. We have assessed the impact of these and concluded that they have not had a material effect on these financial statements and as such have not required retrospective adjustment or application.

**Notes to the Financial Statements
for the Year Ended 30 June 2017**

2. ACCOUNTING POLICIES - continued

Turnover

Turnover represents tuition fees due and is stated net of VAT. Turnover is recognised spread over the length of the relevant course. All turnover arises in the UK from a single principal activity.

Tangible fixed assets

Depreciation is provided at the following annual rates to write off each asset over its estimated useful life.

Furniture & Equipment - 20% to 25% straight line.

Leasehold improvements are depreciated over 10 years, in accordance with the length of the lease.

Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

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

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

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

**Notes to the Financial Statements - continued
for the Year Ended 30 June 2017**

2. ACCOUNTING POLICIES - continued

Functional currency

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

Employee benefit costs

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

Deferred income

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

Related parties transactions

The company is a wholly owned subsidiary of Navitas Limited; the consolidated financial statements of which are publicly available. Accordingly, the company has taken advantage of the disclosure exemptions as permitted by FRS101 "Reduced Disclosure Framework" and the requirements of IAS24 Related Party Disclosures, from disclosing transactions within group companies.

Royalty costs

The company accrues for royalty obligations to its degree awarding university as a percentage of its applicable turnover as determined by the tuition delivery model. Royalty costs are recorded within cost of sales in the profit and loss account, with any unpaid balances at period end recorded as accruals and included as part of Creditors: Amounts due within one year.

The company has paid a royalty to its parent company, Navitas Limited, in recognition of the intellectual property value held by the global group. The payment is a percentage of its turnover and is recorded with cost of sales in the profit and loss account.

Financial instruments

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

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

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

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

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

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

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

**Notes to the Financial Statements - continued
for the Year Ended 30 June 2017**

2. ACCOUNTING POLICIES - continued

Financial instruments - continued

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

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

Operating profit/loss

Operating profit/(loss) is stated after administrative and other operating expenses.

Interest expense

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

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The company had no finance leases during the year.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgements in applying the company's accounting policies

The critical judgements and estimations that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are around bad debt provisioning which is dealt with on a case by case basis based on the assessment of expected recoveries from sponsor bodies or students. However, these are not critical for the financial statements as they are not considered as material.

Key sources of estimation uncertainty

Estimates have been applied to determine the probable liability due to the HMRC with regards the VAT court case highlighted in the Directors' Report on page 2. The company has now been granted leave to appeal to The Supreme Court.

Depreciation considerations of estimated useful lives and residual values are not expected to materially misstate the financial statements.

SAE EDUCATION LIMITED (REGISTERED NUMBER: (06647488))

**Notes to the Financial Statements - continued
for the Year Ended 30 June 2017**

4. EMPLOYEES AND DIRECTORS

	2017	2016
	£	£
Total employee costs	<u>3,862,910</u>	<u>4,693,193</u>

The average monthly number of administration and teaching employees during the year was 123 (2016: 130).

5. INTEREST PAYABLE AND SIMILAR EXPENSES

	2017	2016
	£	£
Interest payable to group undertakings	<u>72,489</u>	<u>84,814</u>

6. LOSS BEFORE TAXATION

The loss before taxation is stated after expensing:

	2017	2016
	£	£
Other operating leases	905,242	764,510
Depreciation - owned assets	647,839	770,810
Auditor's remuneration	16,083	25,000
Loss/(gain) on foreign exchange movements	<u>144,327</u>	<u>(24,910)</u>

SAE EDUCATION LIMITED (REGISTERED NUMBER: (06647488))

**Notes to the Financial Statements - continued
for the Year Ended 30 June 2017**

7. TAXATION

Analysis of tax expense

No liability to UK corporation tax arose for the year ended 30 June 2017 nor for the year ended 30 June 2016.

Factors affecting the tax expense

The tax assessed for the year is higher (2016: higher) than the standard rate of corporation tax in the UK. The difference is explained below:

	2017 £	2016 £
Loss before income tax	<u>(2,885,240)</u>	<u>(3,765,166)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 19.75% (2016 - 20%)	(569,855)	(753,033)
Effects of:		
Tax effect of expenses not deductible in determining taxable profit	46,824	73,707
Amounts not recognised	<u>523,031</u>	<u>679,326</u>
Tax expense	<u>-</u>	<u>-</u>

The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020, was substantially enacted on 26 October 2015. Accordingly, the company's profits for this accounting period are taxed at an effective rate of 19.75%. The standard rate will reduce further to 17% with effect from 1 April 2020. Subsequently, the Finance Act 2016, which provides for a further reduction in the main rate of corporation tax to 17% effective from 1 April 2020, was substantively enacted on 6 September 2016. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

A deferred tax asset of £1,828,406 (2016: £1,514,724) has not been recognised in the year as we do not consider that there is suitable certainty that the temporary difference will reverse in the foreseeable future such that the asset will be utilised.

8. TANGIBLE FIXED ASSETS

	Long leasehold £	Furniture and Equipment £	Totals £
COST			
At 1 July 2016	1,915,848	2,741,378	4,657,226
Additions	175,904	443,869	619,773
Disposals	<u>-</u>	<u>(3,678)</u>	<u>(3,678)</u>
At 30 June 2017	<u>2,091,752</u>	<u>3,181,569</u>	<u>5,273,321</u>
DEPRECIATION			
At 1 July 2016	801,113	2,183,423	2,984,536
Expense for year	242,969	404,870	647,839
Eliminated on disposal	<u>-</u>	<u>(3,428)</u>	<u>(3,428)</u>
At 30 June 2017	<u>1,044,082</u>	<u>2,584,865</u>	<u>3,628,947</u>
NET BOOK VALUE			
At 30 June 2017	<u>1,047,670</u>	<u>596,704</u>	<u>1,644,374</u>
At 30 June 2016	<u>1,114,735</u>	<u>557,955</u>	<u>1,672,690</u>

Notes to the Financial Statements - continued
for the Year Ended 30 June 2017

	2017	2016
	£	£
Trade debtors	463,140	522,313
Amounts owed by: parent company	134,903	44,000
other group undertakings	938,148	3,326,859
Other debtors	23,249	87,252
Prepayments	<u>684,614</u>	<u>629,262</u>
	2,244,054	4,609,686

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£	£
Trade creditors	437,891	1,011,885
Deferred income	1,572,438	1,456,436
Accruals	1,669,225	2,111,364
Amounts owed to parent company	12,361,217	8,097,858
Social security and other taxes	99,881	105,135
VAT	-	2,866,027
	<u>16,140,652</u>	<u>15,648,705</u>

11. LEASING AGREEMENTS

	2017	2016
	£	£
Within one year	972,055	957,774
Between one and five years	2,637,570	3,483,495
In more than five years	<u>231,956</u>	<u>382,014</u>
	3,841,581	4,823,283

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

The Company is incorporated as a company limited by guarantee having no share capital and, in accordance with the memorandum of association, the members of the Company are liable to contribute up to £1 each in the event of the Company being wound up.