

Company Registration No. 06647488
(England and Wales)

SAE Education Limited

Annual Report and Financial Statements

For the year ended 30 June 2018



SAE Education Limited
Company Registration No. 06647488

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

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SAE Education Limited
Company Registration No. 06647488

Annual report for the year ended 30 June 2018

Officers and Professional Advisers

Directors

P Grant
O McLaughlin

Company Secretary

P Grant

Registered Office

Littlemore Park
Armstrong Road
Oxford
OX4 4FY

Registered Number

06647488
(England and Wales)

Independent Auditor

Deloitte LLP
Abbots House, Abbey Street
Reading
Berkshire
United Kingdom

SAE Education Limited
Company Registration No. 06647488

Directors' report

The directors present their annual report with the audited financial statements of the company for the year ended 30 June 2018. 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 decreased by 2% from £4,952,143 to £4,847,984. The decline was a net result of increase in fees coupled with a decline in student numbers. There was a loss for the year after tax of £2,156,838 (2017: £2,885,240).

The directors have taken the decision to close the Oxford Campus in 2020. The last student intake for Oxford was September 2018.

The Company 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 was granted leave to appeal to The Supreme Court. By a unanimous decision on 20 March 2019, the Supreme Court upheld the first-Tier tribunal that the company was entitled to VAT exemption on and from May 2009. SAE Education Limited will now proceed to reclaim VAT paid in respect of the relevant periods and seek to recover the legal costs incurred for all previous proceedings in relation to this matter.

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 £15,473,374 (2017: £13,732,325) and the loss made in the year of £2,156,838 (2017: £2,885,240) and have plans to close down the Oxford Campus in 2020.

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 2018 (2017: £nil).

SAE Education Limited
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Directors' report (continued)

Directors

All directors mentioned on page 1 held office during the whole of the period from 1 July 2017 to the date of this report.

Statement as to disclosure of information to auditor

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

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

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

Directors' indemnities

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

Auditor

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

On behalf of the Board



.....
P Grant
Director

29 March 2019
.....
Date

SAE Education Limited
Company Registration No. 06647488

Directors' responsibilities statement

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; 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.

SAE Education Limited
Company Registration No. 06647488

Independent auditor's report to the members of SAE Education Limited

Opinion

In our opinion the financial statements of SAE Education Limited (the 'company'):

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

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement;
- the notes to the cash flow statement; and
- the related notes 1 to 14.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in respect of these matters.

Independent auditor's report to the members of 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the 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.

Use of our report

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



Andrew Hornby (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Reading, United Kingdom

29 March 2019

Date:

SAE Education Limited
Company Registration No. 06647488

Income statement
For the year ended 30 June 2018

	Notes	2018 £	2017 £
Turnover		4,847,984	4,952,143
Cost of sales		(2,648,918)	(3,474,463)
Gross profit		2,199,066	1,477,680
Administrative expenses		(4,428,367)	(5,203,023)
Other operating income		67,680	912,592
Operating loss		(2,161,621)	(2,812,751)
Interest payable and similar expenses	5	-	(72,489)
Loss before taxation	6	(2,161,621)	(2,885,240)
Tax on profit	7	-	-
Loss for the year		<u>(2,161,621)</u>	<u>(2,885,240)</u>

The notes form part of these financial statements.

SAE Education Limited
Company Registration No. 06647488

Statement of comprehensive income
For the year ended 30 June 2018

	2018 £	2017 £
Loss for the year	(2,161,621)	(2,885,240)
Other comprehensive expense	-	-
Total comprehensive expense for the year	<u>(2,161,621)</u>	<u>(2,885,240)</u>

The notes form part of these financial statements.

SAE Education Limited
Company Registration No. 06647488

Balance sheet
As at 30 June 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible fixed assets	8	1,228,585	1,644,374
Current assets			
Debtors: amounts falling due within one year	9	2,880,983	2,244,053
Cash at bank		62,935	164,274
Total current assets		<u>2,943,918</u>	<u>2,408,327</u>
Creditors: amounts falling due within one year	10	<u>(18,422,075)</u>	<u>(16,140,652)</u>
Net current liabilities		<u>(15,478,157)</u>	<u>(13,732,325)</u>
Total assets less current liabilities being net liabilities		<u>(14,249,572)</u>	<u>(12,087,951)</u>
Capital and reserves			
Profit and loss account		<u>(14,249,572)</u>	<u>(12,087,951)</u>
Shareholder's deficit		<u>(14,249,572)</u>	<u>(12,087,951)</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 and were signed on its behalf by:



 F Grant
 Director

The notes form part of these financial statements.

SAE Education Limited
Company Registration No. 06647488

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

	Profit and loss account £	Total Equity £
Balance at 1 July 2016	(9,202,711)	(9,202,711)
Changes in equity		
Total comprehensive expense	(2,885,240)	(2,885,240)
Balance at 30 June 2017	(12,087,951)	(12,087,951)
Changes in equity		
Total comprehensive expense	(2,161,621)	(2,161,621)
Balance at 30 June 2018	(14,249,572)	(14,249,572)

The notes form part of these financial statements.

SAE Education Limited
Company Registration No. 06647488

Cash flow statement
For the year ended 30 June 2018

	Notes to cash flow	2018 £	2017 £
Cash flows used in operating activities			
Cash used in operations	1	(3,526,586)	(5,868,499)
Interest paid		-	(72,489)
Net cash flows from operating activities		<u>(3,526,586)</u>	<u>(5,940,988)</u>
Cash flows (used in)/ from investing activities			
Purchase of tangible fixed assets		(184,546)	(625,171)
Sale of tangible fixed assets		-	5,648
Net cash used in investing activities		<u>(184,546)</u>	<u>(619,523)</u>
Cash flows from financing activities			
Decrease net intercompany balance		3,609,793	6,561,167
(Decrease)/increase in cash and cash equivalents		<u>(101,339)</u>	<u>656</u>
Cash and cash equivalents at beginning of year	2	<u>164,274</u>	<u>163,618</u>
Cash and cash equivalents at end of year		<u><u>62,935</u></u>	<u><u>164,274</u></u>

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

The notes form part of these financial statements.

SAE Education Limited
Company Registration No. 06647488

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

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

	2018 £	2017 £
Loss before taxation	(2,161,621)	(2,885,240)
Depreciation expense	600,335	647,839
Finance costs	-	72,489
	<u>(1,561,286)</u>	<u>(2,164,912)</u>
Increase in trade and other debtors excluding intercompany balances	(1,394,107)	67,824
Increase in trade and other creditors excluding intercompany balances	<u>(571,193)</u>	<u>(3,771,411)</u>
Cash generated from operations	<u><u>(3,526,586)</u></u>	<u><u>(5,868,499)</u></u>

2. Cash and cash equivalents

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

	2018 £	2017 £
Cash and cash equivalents	<u><u>62,935</u></u>	<u><u>164,274</u></u>

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

1. Statutory information

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

The company meets the definition of a qualifying entity and as permitted by paragraph 8 of FRS 101, the company, a wholly owned subsidiary of Navitas Limited, has elected to take advantage of the disclosure exemptions set out in note 2. These group financial statements are available to the public and can be obtained as set out in note 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; and
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group;
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairments of Assets;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers; and
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraph 90, 91 and 93 of IFRS 16 Leases.

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

2. Accounting policies (continued)

Going concern

The company's business activities, together with 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 in existence for the next 12 months.

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 for the next 12 months.

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 being 12 months post year end. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

New accounting standards and interpretations that were mandatory during the year

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

Turnover

Turnover representing tuition fees earned and ancillary income from students, is recognised over the period the classes are delivered and is stated net of VAT. When payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of Creditors: Amounts falling due within one year.

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

Tangible fixed assets

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

Furniture and equipment	20% to 25% straight-line
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The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

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.

SAE Education Limited
Company Registration No. 06647488

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

8. Tangible fixed assets

Cost

At 1 July 2017

Additions

At 30 June 2018

Depreciation

At 1 July 2017

Expense for the year

At 30 June 2018

Net book value

At 30 June 2018

At 30 June 2017

9. Debtors: amounts falling due within one year

Trade debtors

Amounts owed by: parent company
other group undertakings

Prepayments

Other debtors

The amounts owed by group undertakings are not secured and have a payable on demand.

10. Creditors: amounts falling due within one year

Trade creditors

Deferred income

Accruals

Amounts owed to: parent company
other group undertakings

Social security and other taxes

VAT

Other creditors

The amounts owed to group undertakings are not secured and have a payable on demand. There are no creditors due in more than one year.

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

2. Accounting policies (continued)

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.

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 loss

Operating 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.

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

2. Accounting policies (continued)

Taxation (continued)

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.

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 FRS 101 "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 host university as a percentage of its applicable turnover as determined by the tuition delivery model.

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

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

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

4. Employees and directors

	2018 £	2017 £
Total employee costs	3,184,242	3,862,910

The average monthly number of employees during the year was 117 (2017: 123)

5. Interest payable and similar expenses

	2018 £	2017 £
Interest receivable from group undertakings	-	72,489

6. Profit before taxation

The loss before taxation is stated after expensing:

	2018 £	2017 £
Other operating leases	882,055	905,242
Depreciation - owned assets	600,335	647,839
Auditor's remuneration	13,500	16,083
Loss on sale of assets	-	144,327
Bad debts	49,743	146,042

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

2. Accounting policies (continued)

Taxation (continued)

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.

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 FRS 101 "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 host university as a percentage of its applicable turnover as determined by the tuition delivery model.

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

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

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

8. Tangible fixed assets

	Long leasehold £	Furniture and equipment £	Totals £
Cost			
At 1 July 2017	2,091,752	3,181,569	5,273,321
Additions	12,424	172,122	184,546
At 30 June 2018	2,104,176	3,353,691	5,457,867
Depreciation			
At 1 July 2017	1,044,082	2,584,865	3,628,947
Expense for the year	242,106	358,229	600,335
At 30 June 2018	1,286,188	2,943,094	4,229,282
Net book value			
At 30 June 2018	817,988	410,597	1,228,585
At 30 June 2017	1,047,670	596,704	1,644,374

9. Debtors: amounts falling due within one year

	2018 £	2017 £
Trade debtors	1,027,007	463,140
Amounts owed by: parent company	15,335	134,903
other group undertakings	300,538	938,148
Prepayments	1,497,353	684,614
Other debtors	40,750	23,248
	2,880,983	2,244,053

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

10. Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	381,928	437,891
Deferred income	1,689,743	1,572,438
Accruals	849,366	1,644,209
Amounts owed to: parent company	48,073	12,361,217
other group undertakings	15,165,759	-
Social security and other taxes	85,912	99,881
VAT	81,152	-
Other creditors	120,142	25,016
	18,422,075	16,140,652

The amounts owed to group undertakings are not secured and have a variable rate of interest. These amounts are payable on demand. There are no creditors due in more than one year.

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

2. Accounting policies (continued)

Taxation (continued)

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.

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

2. Accounting policies (continued)

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.

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 loss

Operating 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.

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

3. Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgements in applying the company's accounting policies

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

Key sources of estimation uncertainty

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 was granted leave to appeal to The Supreme Court.

By a unanimous decision on 20 March 2019, the Supreme Court upheld the first-Tier tribunal that the company was entitled to VAT exemption on and from May 2009. SAE Education Limited will now proceed to reclaim VAT paid in respect of the relevant periods and seek to recover the legal costs incurred for all previous proceedings in relation to this matter.

SAE Education Limited
Company Registration No. 06647488

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

4. Employees and directors

	2018 £	2017 £
Total employee costs	3,184,242	3,862,910

The average monthly number of employees during the year was 117 (2017: 123)

5. Interest payable and similar expenses

	2018 £	2017 £
Interest receivable from group undertakings	-	72,489

6. Profit before taxation

The loss before taxation is stated after expensing:

	2018 £	2017 £
Other operating leases	882,055	905,242
Depreciation - owned assets	600,335	647,839
Auditor's remuneration	13,500	16,083
Loss on sale of assets	-	144,327
Bad debts	49,743	146,042

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

7. Taxation

Analysis of tax expense

No liability to UK corporation tax arose for the year ended 30 June 2018 nor for the year ended 30 June 2017.

	2018 £	2017 £
Current tax:		
Current year tax on profits for the year	-	-
Taxation expensed to the income statement	-	-

Factors affecting the tax expense

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

	2018 £	2017 £
Loss before income tax	(2,161,621)	(2,885,240)
Loss multiplied by the standard rate of corporation tax in the UK of 19.00% (2017: 19.75%)	(410,708)	(569,855)
Effects of:		
Expenses not deductible	65,056	46,824
Amounts not recognised	345,652	523,031
Tax charge for the year	-	-

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 19.00% (2017: 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.

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

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

8. Tangible fixed assets

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SAE Education Limited
Company Registration No. 06647488

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

11. Leasing agreements

At balance sheet date, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018	2017
	£	£
Within one year	888,972	972,055
Between one and five years	2,263,075	2,637,570
In more than five years	352,751	231,956
	<u>3,504,798</u>	<u>3,841,581</u>

12. Post balance sheet events

The Company 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 was granted leave to appeal to The Supreme Court. By a unanimous decision on 20 March 2019, the Supreme Court upheld the first-Tier tribunal that the company was entitled to VAT exemption on and from May 2009. SAE Education Limited will now proceed to reclaim VAT paid in respect of the relevant periods and seek to recover the legal costs incurred for all previous proceedings in relation to this matter.

As the amounts involved have not yet been quantified, no asset has been recognised in these accounts in respect of the recoverable amount.

13. Ultimate parent undertaking and controlling party

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.

14. Guarantee

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.