Company Registration No. 02646404 (England and Wales)

METROPOLITAN INTERNATIONAL SCHOOLS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

METROPOLITAN INTERNATIONAL SCHOOLS LIMITED

COMPANY INFORMATION

Directors	Mr J Bradik Mr G Butler
Secretary	Mr J Bradik
Company number	02646404
Registered office	180 Piccadilly London W1J 9HF
Auditor	Hindocha & Co Limited Chartered Accountants and Statutory Auditors 34 Queensbury Station Parade Edgware Middlesex HA8 5NN

METROPOLITAN INTERNATIONAL SCHOOLS LIMITED

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METROPOLITAN INTERNATIONAL SCHOOLS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2018

The directors present the strategic report for the year ended 31 March 2018.

Fair review of the business
The decision taken in 2017 to temporarily suspend its sales and marketing activities due to uncertainties as to the VAT status of its training courses and therefore the key activity of the company is now to satisfactorily complete the outstanding training commitments to its enrolled students.

The directors are now fully focused on maintaining the quality of the ongoing student training whilst continually reducing the company's general overhead cost structure in line with the ongoing reduction in the number of enrolled students requiring training. The directors report a gross profit of £13,144,899 (68.20%) compared to £18,724,620 (82.62%) in 2017. The operating profit after adjusting for depreciation and interest was £1,326,302 (2017 - £3,735,185).

Principal risks and uncertainties

The directors review the principal risks and uncertainties on a regular basis. The principal risks and uncertainties affecting the company are as follows:

Currency risk
The company is not exposed to currency risks on its sales as this is mainly conducted in UK sterling.

Liquidity risk
The directors are actively involved on an ongoing basis to ensure systems are in place to have sufficient liquidity available to meet on going working capital requirement on a short, medium and long term basis.

Credit risk
This risk is managed by setting up limits based on a combination of payment history, credit references and finance charges. Credit limits are reviewed by the directors on a regular basis.

Interest risk
Interest risk is mainly on finances obtained through different finance institutions. This risk is managed by reviewing rates with finance institutions on regular basis.

Development and performance

The directors intimated last year their quest to continually review the forward cash flows and also the business model. Hence last year shortly after 10 November 2017 the company temporarily suspended any further enrolments in the light of the impending uncertainties of the VAT status in respect of such enrolments. That decision was as a result (and as reported) of the company's lending partners on or about November/December 2017 having suspended funding new enrolments. The latter acted also as a result of their concerns in respect of the VAT status of these sales. The business had no option but to cease selling new courses and had to start downsizing its operations whilst continuing to deliver the contractual ongoing student training commitments.

The current position is that with no new sales and all the cash flow due solely from the vast majority of historic sales already received, the company is almost entirely reliant on the receipt of S.75 retention release payments from its lending partners to continue to cover its operational running costs and deliver the ongoing student training. The company also has contractual obligations with some of its lenders to indemnify them against the cost of student loans that become impaired. This obligation places a further strain on the future cash flow of the business and clearly is a further area where the company's lending partners are monitoring the ongoing performance of the business closely.

The above comments do not take into account the ongoing dispute with the HMRC in respect of VAT and the directors still remain confident that there will be no further liability to pay any backdated VAT based on their legitimate expectation due to the fact that the company continued to trade in accordance with a scheme agreed back in the year 2000 with the HMRC and subsequently in line with the decision of the FTT dated 2 October 2015 which found that the nature of the business by the company was 100% zero-rated VAT. That decision was overturned on 9 November 2017 by the UTT. Following the latter the directors thought it appropriate to revisit its strategy and business model as noted above and stopped enrolling new students. The legal advice to date suggests that the directors can comfortably rely on their legitimate expectation not to be charged any backdated VAT on either a retrospective basis or in respect of the run-offs on student contracts signed on or before 9 November 2017. However if this legal positon changes then they remain advised that their opinion with regards to the going concern nature of the business may have to be reviewed. At the moment the directors remain confident that the business has sufficient future cash flow to meet it future obligations.

Key performance indicators

The directors are now focused on reducing the company's general overhead structure in line with a reduction in the number of enrolled students requiring training. The latest update is as follows :

	2018	2017
Turnover	£19,275,046	£22,664,469
Administrative expenses	£11,870,169	£15,030,629
Overheads ratio to turnover	61.50%	66.30%

On behalf of the board

Mr J Bradik
Director
28 December 2018

The directors present their annual report and financial statements for the year ended 31 March 2018.

Principal activities
The principal activity of the company continues to be the provision of open learning training courses to its enrolled students.

The decision taken in 2017 to temporarily suspend its sales and marketing activities due to uncertainties as to the VAT status of its training courses has continued and consequently both the company's turnover and number of enrolled students has declined "year on year" with this trend expected to continue into 2019.

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

Mr J Bradik
Mr G Butler

Results and dividends
The results for the year are set out on page 8.

Political donations
During the year, the company made a donation of £nil (2017 - £39,440) to the Hemel Hempstead Conservative Association.

Financial instruments

Treasury operations and financial instruments
The company holds or issues financial instruments in order to achieve three main objectives:

- Finance its operations
- Manage its exposure to interest risks arising from its operations and from its sources of finance.
- Trading purpose

In addition, various financial instruments (e.g. trade debtors, trade creditors, accruals and prepayments) arise directly from the financial risks described on strategic report.

Auditor
The auditor, Hindocha & Co Limited, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities

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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

Mr J Bradik
Director
28 December 2018

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF METROPOLITAN INTERNATIONAL SCHOOLS LIMITED

Qualified opinion on financial statements

We have audited the financial statements of METROPOLITAN INTERNATIONAL SCHOOLS LIMITED (the 'company') for the year ended 31 March 2018 which comprise the statement of income and retained earnings, the balance sheet, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, **except for the effects of the matter described in the Basis for Qualified Opinion paragraph,** the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for qualified opinion on the financial statements

The company has received an assessment in November 2017 from HMRC in the sum of £27,860,440. The assessment relates to periods from December 2009 to September 2017.

The company has been in litigation with HMRC over many years and had won their case in the First -Tier Tribunal (FTT) in October 2015 which was overturned by Upper Tier Tribunal (UTT) on 9 November 2017. The company was refused leave to appeal to the Court of Appeal against the decision of the Upper Tribunal decision in October 2018. H M Revenue & Customs has since issued VAT recovery assessments for the period from December 2009 to September 2017 which are being strongly contested.

Owing to the uncertainty of the case and also the material amount of the assessment, we are unable to ascertain the likelihood of the outcome of the above matter.

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

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

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 this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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 material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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.

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: http://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.

Y Hindocha

Yashlal Hindocha BA FCA (Senior Statutory Auditor)
for and on behalf of Hindocha & Co Limited 28 December 2018

Chartered Accountants and Statutory Auditors
34 Queensbury Station Parade
Edgware
Middlesex
HA8 5NN

METROPOLITAN INTERNATIONAL SCHOOLS LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 £	2017 £
Turnover	3	19,275,046	22,664,469
Cost of sales		(6,130,147)	(3,939,849)
Gross profit		13,144,899	18,724,620
Administrative expenses		(11,870,169)	(15,030,629)
Other operating income		-	500
Operating profit	4	1,274,730	3,694,491
Interest receivable and similar income	7	-	10,163
Other interest payable and similar expenses	8	(3,755,437)	(3,371,416)
Amounts written off investments	9	(7,000)	-
(Loss)/profit before taxation		(2,487,707)	333,238
Tax on (loss)/profit	10	469,026	(82,222)
(Loss)/profit for the financial year		(2,018,681)	251,016
Retained earnings brought forward		2,203,765	1,956,169
Dividends	11	-	(3,420)
Retained earnings carried forward		185,084	2,203,765

The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

METROPOLITAN INTERNATIONAL SCHOOLS LIMITED

BALANCE SHEET

AS AT 31 MARCH 2018

		2018		2017	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	12		111,676		123,191
Current assets					
Stocks	14	25,140		50,235	
Debtors falling due after more than one year	15	32,327,838		44,304,582	
Debtors falling due within one year	15	23,979,749		20,923,727	
Cash at bank and in hand		2,441		34,927	
		56,335,168		65,313,471	
Creditors: amounts falling due within one year	16	(44,154,149)		(41,045,787)	
Net current assets			12,181,019		24,267,684
Total assets less current liabilities			12,292,695		24,390,875
Creditors: amounts falling due after more than one year					
Deferred income	19	12,096,158		22,175,653	
			(12,096,158)		(22,175,653)
Provisions for liabilities	17		(8,453)		(8,457)
Net assets			188,084		2,206,765
Capital and reserves					
Called up share capital	21		3,000		3,000
Profit and loss reserves			185,084		2,203,765
Total equity			188,084		2,206,765

The financial statements were approved by the board of directors and authorised for issue on 28 December 2018 and are signed on its behalf by:

Mr J Bradik
Director

Company Registration No. 02646404

METROPOLITAN INTERNATIONAL SCHOOLS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2018

		2018		2017	
	Notes	£	£	£	£
Cash flows from operating activities					
Cash generated from operations	27		3,799,436		3,501,524
Interest paid			(3,755,437)		(3,371,416)
Income taxes paid			(33,850)		-
Net cash inflow from operating activities			10,149		130,108
Investing activities					
Purchase of tangible fixed assets		(40,057)		(73,906)	
Proceeds on disposal of fixed asset investments		(7,000)		-	
Proceeds from other investments and loans		4,422		(480)	
Interest received		-		10,163	
Net cash used in investing activities			(42,635)		(64,223)
Financing activities					
Payment of finance leases obligations		-		(5,478)	
Dividends paid		-		(3,420)	
Net cash used in financing activities			-		(8,898)
Net (decrease)/increase in cash and cash equivalents			(32,486)		56,987
Cash and cash equivalents at beginning of year			34,927		(22,060)
Cash and cash equivalents at end of year			2,441		34,927

1 Accounting policies

Company information

METROPOLITAN INTERNATIONAL SCHOOLS LIMITED is a private company limited by shares incorporated in England and Wales. The registered office is 180 Piccadilly, London, W1J 9HF.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover represents amounts receivable from sale of courses, net of value added tax and discounts. The income is deferred over the period of the course contract which can be up to four years.

Interest income generally is recognized on the accrual basis except where the amounts are not recoverable.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Course sales income is recognised once contractual agreements are confirmed by the students and is deferred on a monthly basis over the period of the courses which can be up to four years.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Improvements to property	10% p.a. on a reducing balance basis
Fixtures, fittings & equipment	15% p.a. on a reducing balance basis
Computer equipment	50% p.a. on a reducing balance basis
Motor vehicles	20% p.a. on a straight line basis

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1 Accounting policies **(Continued)**

1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.6 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.7 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

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

1 Accounting policies **(Continued)**

Basic financial assets
Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets
Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets
Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

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

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities
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.

1 Accounting policies **(Continued)**

Basic financial liabilities
Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

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

Other financial liabilities
Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value though profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities
Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.9 Equity instruments
Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.10 Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

1 Accounting policies **(Continued)**

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.13 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.14 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

1.15 Deferred costs

In accordance with the revenue recognisation policy, certain costs relating to these courses have also been deferred over the period of the courses which can be up to four years.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2018	2017
	£	£
Turnover analysed by class of business		
Course fees	19,275,046	22,664,469

	2018	2017
	£	£
Other significant revenue		
Interest income	-	10,163

4 Operating profit

	2018	2017
Operating profit for the year is stated after charging/(crediting):	£	£
Exchange (gains)/losses	-	533
Fees payable to the company's auditor for the audit of the company's financial statements	44,250	30,000
Depreciation of owned tangible fixed assets	48,371	27,289
Depreciation of tangible fixed assets held under finance leases	3,200	3,242
Cost of stocks recognised as an expense	6,038,086	3,883,293
Operating lease charges	115,019	(178,042)

Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to £- (2017 - £533).

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2018 Number	2017 Number
Directors	2	2
Administration	13	39
	15	41

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	409,605	1,015,752
Social security costs	43,042	91,678
Pension costs	10,809	25,081
	463,456	1,132,511

6 Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	45,958	40,000

7 Interest receivable and similar income

	2018 £	2017 £
Interest income		
Other interest income	-	10,163

8 Interest payable and similar expenses

	2018 £	2017 £
Interest on financial liabilities measured at amortised cost:		
Interest on invoice finance arrangements	3,755,437	3,371,416

Disclosed on the profit and loss account as follows:

	2018 £	2017 £
Other interest payable and similar expenses	3,755,437	3,371,416

9 Amounts written off investments

fixed asset investments

	2018	2017
	£	£
Amounts written off current loans	(7,000)	-

10 Taxation

	2018	2017
	£	£
Current tax		
UK corporation tax on profits for the current period	-	64,262
Adjustments in respect of prior periods	(59,703)	7,000
Total current tax	(59,703)	71,262
Deferred tax		
Origination and reversal of timing differences	(409,323)	10,960
Total tax (credit)/charge	(469,026)	82,222

The actual (credit)/charge for the year can be reconciled to the expected (credit)/charge for the year based on the profit or loss and the standard rate of tax as follows:

	2018	2017
	£	£
(Loss)/profit before taxation	(2,487,707)	333,238
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 20.00%)	(472,664)	66,648
Tax effect of expenses that are not deductible in determining taxable profit	1,330	8,279
Unutilised tax losses carried forward	409,319	-
Change in unrecognised deferred tax assets	(409,323)	10,960
Adjustments in respect of prior years	(64,608)	-
Depreciation on assets not qualifying for tax allowances	9,798	6,106
Under/(over) provided in prior years	4,905	7,000
Capital allowances	(9,161)	(16,771)
Losses carried back	61,378	-
Taxation (credit)/charge for the year	(469,026)	82,222

11 Dividends

	2018	2017
	£	£
Interim paid	-	3,420

12 Tangible fixed assets

	Improvements to property	Fixtures, fittings & equipment	Computer equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 April 2017	163,009	68,321	243,104	16,000	490,434
Additions	-	4,151	35,906	-	40,057
At 31 March 2018	163,009	72,472	279,010	16,000	530,491
Depreciation and impairment					
At 1 April 2017	129,661	43,713	184,103	9,767	367,244
Depreciation charged in the year	3,334	4,175	40,862	3,200	51,571
At 31 March 2018	132,995	47,888	224,965	12,967	418,815
Carrying amount					
At 31 March 2018	30,014	24,584	54,045	3,033	111,676
At 31 March 2017	33,349	24,608	59,001	6,233	123,191

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2018	2017
	£	£
Motor vehicles	3,033	6,223
Depreciation charge for the year in respect of leased assets	3,200	3,242

13 Financial instruments

	2018	2017
	£	£
Carrying amount of financial assets		
Debt instruments measured at amortised cost	34,820,184	38,967,626
Carrying amount of financial liabilities		
Measured at amortised cost	10,645,404	1,904,359

14 Stocks

	2018 £	2017 £
Finished goods and goods for resale	25,140	50,235

15 Debtors

Amounts falling due within one year:	2018 £	2017 £
Trade debtors	11,980,448	7,980,887
Corporation tax recoverable	64,608	4,905
Other debtors	1,348,638	1,499,323
Prepayments and accrued income	10,586,055	11,438,612
	23,979,749	20,923,727

Amounts falling due after more than one year:	2018 £	2017 £
Trade debtors	22,273,147	29,727,071
Prepayments and accrued income	9,645,372	14,577,511
	31,918,519	44,304,582
Deferred tax asset (note 18)	409,319	-
	32,327,838	44,304,582
Total debtors	56,307,587	65,228,309

Career Finance 4 Trade Skills Limited, Career Development Finance Limited, Caledonian Consumer Finance Limited and Carnegie Consumer Finance Limited are finance companies. These companies provide credit finance to a number of customers of Metropolitan International Schools Limited to enable them to fund the payment of their fees. Included in trade debtors, amounts due from these companies as collateral under S75 of Consumer Credit Act 1974 towards costs to complete the tuition of students enrolled by the company are as follows:

Career Finance 4 Trade Skills Limited - £252,798 (2017 - £531,312)
Caledonian Consumer Finance Limited - £3,354,333 (2017 - £2,596,495)
Carnegie Consumer Finance Limited - £11,421,765 (2017 - £6,152,544)

16 Creditors: amounts falling due within one year

	Notes	2018 £	2017 £
Trade creditors		10,323,541	1,575,182
Corporation tax		60,398	94,248
Other taxation and social security		13,910	11,492
Deferred income	19	15,599,536	22,647,309
Other creditors		321,863	329,177
Accruals and deferred income		17,834,901	16,388,379
		44,154,149	41,045,787

Deferred income is income that is to be recognised in future periods by the company since courses provided to students can vary in length up to four years.

17 Provisions for liabilities

	Notes	2018 £	2017 £
Deferred tax liabilities	18	8,453	8,457

18 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

Balances:	Liabilities 2018 £	Liabilities 2017 £	Assets 2018 £	Assets 2017 £
Accelerated capital allowances	8,453	8,457	-	-
Tax losses	-	-	409,319	-
	8,453	8,457	409,319	-

Movements in the year:	2018 £
Liability at 1 April 2017	8,457
Credit to profit or loss	(409,323)
Liability/(Asset) at 31 March 2018	(400,866)

The deferred tax asset set out above is expected to reverse within 12 months and relates to the utilisation of tax losses against future expected profits of the same period.

19 Deferred income

	2018 £	2017 £
Other deferred income	27,695,694	44,822,962

Deferred income is included in the financial statements as follows:		
Current liabilities	15,599,536	22,647,309
Non-current liabilities	12,096,158	22,175,653
	27,695,694	44,822,962

20 Retirement benefit schemes

Defined contribution schemes	2018 £	2017 £
Charge to profit or loss in respect of defined contribution schemes	10,809	25,081

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

21 Share capital

	2018 £	2017 £
Ordinary share capital		
Issued and fully paid		
3,000 Ordinary shares of £1 each	3,000	3,000
	3,000	3,000

22 Financial commitments, guarantees and contingent liabilities

The company continues to defend H M Revenue & Customs' action for the collection of VAT allegedly due following the Upper Tribunal decision dated 9 November 2017 overturning the decision of the First Tier Tribunal released in October 2015 which zero rated the company's supplies. The company was refused leave to appeal to the Court of Appeal against the decision of the Upper Tribunal decision in October 2018. H M Revenue & Customs has since issued VAT recovery assessments for the period from December 2009 to September 2017.

The company has nevertheless appealed against the assessments on the grounds of legitimate expectation claiming that the VAT due until the date of the Upper Tribunal decision is not due and payable. Based on advice received, the company considers it has robust grounds to defend the assessments up to November 2017. Notwithstanding the advice, the outcome of the appeal cannot be guaranteed. Should the company lose its appeal, the liability will exceed £27,860,440 and the company's financial position will become uncertain given the immediate financial resources available.

23 Operating lease commitments

Lessee

At the reporting end 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	75,760	75,760
Between two and five years	303,040	303,040
In over five years	669,213	744,973
	1,048,013	1,123,773

24 Directors' transactions

Dividends totalling £0 (2017 - £3,420) were paid in the year in respect of shares held by the company's directors.

During the year company paid consultancy fees in the sum of £30,000 (2017 - £30,000) to Mr G E Butler.

25 Controlling party

The company was under control of the directors by virtue of their directorship.

26 Post Balance Sheet Event

The company has received recovery assessments from HMRC in October 2018 which have been appealed against and are being strongly contested in formal proceedings. Please see note 22 (Contingent liability).

27 Cash generated from operations

	2018	2017
	£	£
(Loss)/profit for the year after tax	(2,018,681)	251,016
Adjustments for:		
Taxation (credited)/charged	(469,026)	82,222
Finance costs	3,755,437	3,371,416
Investment income	-	(10,163)
Depreciation and impairment of tangible fixed assets	51,571	30,531
Amounts written off investments	7,000	-
Movements in working capital:		
Decrease in stocks	25,095	34,390
Decrease/(increase) in debtors	9,385,322	(20,467,237)
Increase in creditors	10,189,985	7,294,801
(Decrease)/increase in deferred income	(17,127,268)	12,914,548
Cash generated from operations	3,799,435	3,501,524