Registered No. 04551096

ISTITUTO MARANGONI LIMITED

Report and Financial Statements

For the period ended 30 June 2020

Financial Statements for the year ended 30 June 2020

Contents

This document constitutes the annual report

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Company Information

Registered No. 04551096

Directors
S Valenti
C Gorse
Prof M Hunt
Prof D Vaughan
S Krnic

Secretary
S Sivari

Auditor
Ernst &Young LLP
1 More London Place
London SE1 2AF
United Kingdom

Registered Office
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London E16PX
United Kingdom

Bankers
Royal Bank of Scotland
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Directors' report

The directors present their report and the financial statements for the period ended 30 June 2020.

Principal activity and business review

The principal activity of the company during the period was the provision of higher educational courses related to the fashion and design industry.

As of 30 June 2020, the ultimate parent undertaking was Providence Equity Partners VI International LP., having acquired Istituto Marangoni Limited from the former ultimate parent undertaking, Career Education Corporation, on 14th November 2011. Providence Equity Partners is a private equity firm incorporated in the United States of America.
In March 2020, Providence Equity Partners ('Providence'), the majority shareholder since 2011, entered into exclusive negotiations for the sale of the Group to a consortium comprised of global long-term institutional investors, including Canada Pension Plan Investment Board ('CPP Investments'), through its wholly owned subsidiary, CPP Investment Board Europe S.à r.l., and Montagu Private Equity LLP, alongside existing shareholders Téthys Invest SAS and Bpifrance Investissement Sas. On 1 July 2020, Providence, sold its shares in the Group to the consortium.

Change of year end

The directors submit their report for the 12-month period ended 30 June 2020.
The figures given in this report cover this 12-month period alongside the figures for the previous 6-months provided for period ended 30 June 2019.

Results and dividends

The profit for the financial period amounted to £5,564,962 (2019: £4,033,677). In March 2020, a £3,000,000 dividend has been approved by the directors (2019: no dividend).

Directors

The directors who served the company during the period were:

R Riccio (resigned 27 January 2020)
S Valenti (appointed 27 January 2020)
C Gorse
Prof M Hunt
Prof D Vaughan
G Arnold (resigned 27 January 2020)
S Krnic (resigned 1 July 2020)

Going concern

In assessing the going concern position of the Company for the financial statements for the year ended 30 June 2020, the Directors have considered the Company's cash flows, liquidity and activities.

In making this assessment the Directors have made a current consideration of the potential impact of the COVID-19 pandemic on the cashflows and liquidity of the Company for a period of twelve months from the date of approval of these accounts.

Based on the company's forecasts, the Directors have adopted the going concern basis in preparing the financial statements.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditor in connection with preparing their report and to establish that the company's auditors are aware of that information.

Auditor

The auditor, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

On behalf of the Board

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C Gorse

Director

Date: ...27/11/2020

Strategic Report
Financial performance review

	Year ended June 30, 2020	6 Months period ended June 30, 2019	
	£	£	%
Turnover	15,535,203	9,440,829	65%
Operating Profit	5,371,826	4,631,745	14%
Profit after tax	5,564,962	4,033,677	28%

For the financial period ended 30 June 2020, turnover increased by 65% to £15,535,203 compared to 30 June 2019 in line with the increase in the actual number of students together with a yearly price increase in the student fees.

Operating Profit shows a 14% increase compared to 2019. The Operating Profit is in line with the increase in number of students and the yearly increase in the student fees.

Principal risks and uncertainties

Liquidity risks
Istituto Marangoni Limited remains in a healthy financial position, with adequate funding available, and so the liquidity risk to the company is considered to be minimal.

Currency exchange risks
Currency exchange rate risk is low as most students pay fees in local currency (GBP). However, some of the costs incurred by the company are incurred outside the United Kingdom, and therefore there is a risk that the exchange rates may differ from the rates expected when calculating the costs.
Based on the assessment performed by the company and its management, no elements were noted that might affect the Company's capability to comply with law, and to generate profits, cash, and consequently the overall financial sustainability for the upcoming periods.

Brexit risks
The School is monitoring the potential impact of Brexit upon school performance.
This constitutes some risk (as seen by other providers) in terms of maintaining current EU student recruitment and progression and European retention and recruitment of staff and faculty.
Mitigation measures in place include:

- Communication strategy to provide up to date information and advice to students, staff and faculty
- Dedicated communication campaigns to new students and applicants including accurate regulations and school scholarship schemes
- Legal clarification and school assistance to relevant information and advice including where relevant/ necessary to apply to the EU Settlement Scheme
- The updated Student Protection Plan identifying institutional actions to protect student continuity of study
- Enhanced funding and promotion to eligible applicants to the School Scholarship Scheme as access to the Student Loan Company Scheme changes
- Revisions to direct and agent recruitment approaches in support of new applicant needs.
- Revised staff/ faculty retention activities in support of continuation of work in UK
- Consideration of potential Tier 2 sponsorship license application

Public health/pandemic risk
The current Covid-19 pandemic is being monitored and actions adjusted in real time to mitigate potential risks to business continuity, financial sustainability, health and safety and learning and teaching.
This has been actively managed through comprehensive mitigation and health and safety measures in accordance with government and public health guidance and regulation undertaken by the Covid Risk Unit (since Jan 2020) with oversight by the head of provider reporting to the Audit Committee, Board of Governors and Board of Directors.

The School has been able to maintain continuity of study (without business interruption) throughout 2019/2020 through delivery of blended learning/ phased online learning as required during lockdown phases.

On behalf of the Board

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C Gorse (Director)

Date: 27/11/2020

Statement of directors' responsibilities in relation to the financial statements

The directors are responsible for preparing the Directors' 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 Financial Reporting Standard FRS 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland and in accordance with applicable accounting standard and 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 for that period.

In preparing those financial statements, the directors are required to:

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

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

Statement on Corporate Governance and Internal Control

Istituto Marangoni Limited (the London School) is an Independent Higher Education Provider and private limited company registered with Companies House. It is registered with the Office for Students (OfS) and United Kingdom Visa & Immigration (UKVI) as a recognized Higher Education Provider and holds a validating partnership with Manchester Metropolitan University. The London School is committed to adopting best governance practice as set out in relevant codes of governance, principally the CUC Code of Governance and the UK Corporate Governance Code. In accordance with its conditions of registration with the OfS, it upholds its required public interest principles: academic freedom, accountability student engagement, academic governance, risk management, value for money, freedom of speech and ‘fit and proper’.

<u>The Board of Directors</u>

The Board of Directors is the ultimate accountable body and therefore ultimately responsible for the management, strategic direction and financial solvency of the company. Its remit is set out within the Company Articles of Association, the London School Scheme of Delegation and board Terms of Reference. The powers of the Company, the approval of the annual financial statements and accounts, the financial solvency and safeguarding of its assets are specifically reserved for the Board’s own decision making and cannot be delegated.

The Board of Directors is supported and advised by its governance sub-committees; namely the Board of Governors and Audit Committee, each of which has delegated responsibility for detailed aspects of governance as summarized below. The Board of Directors and its sub-committees include an appropriately balanced membership of internal company Directors and external (Non-Executive Director or Independent External) members. The Board of Governors and Audit Committee are chaired by one of the Non-Executive Directors and there is a Student Governor member on the Board of Governors.

<u>The Board of Governors</u>

The Board of Governors advises the Board of Directors on the strategic direction of the London School, including undertaking regular reviews of its mission and policies and monitoring their overall effectiveness and comparability with UK Higher Education practice. It has specific responsibility for academic governance, including the monitoring of the effectiveness of the School’s procedures for ensuring quality and standards, regulatory compliance, the health, safety and welfare of students and equality and diversity.

<u>Audit Committee</u>

The Audit Committee reviews and assures the London School’s annual financial statements and appropriateness of financial policies. It exercises oversight of the risk management process, data processes and returns, regulatory compliance, quality assurance, health and safety, and systems of internal control to advise the Board of Governors and Board of Directors. It approves and/or makes recommendations on the annual programme of internal audits, appoints internal auditors, engages with and oversees the work of the external auditors and advises the Board of Directors on the Auditors’ findings and any recommendations relating to the Board’s system of internal control.

<u>School Board</u>

The London School Board is the senior academic board and is responsible for ensuring oversight and enabling enhancement of the academic performance within the School, advising and recommending actions to the Board of Directors and Board of Governors on all matters relating to the overall educational strategy and School achievement against relevant key performance indicators and IK Higher Education norms . It monitors, recommends and reports on the effectiveness and implementation of a wide range of policies and procedures, enhancement projects, the student experience and compliance with the validating partner and a wide range of UK regulatory bodies.

<u>Key Governance Activities</u>

During the reporting period, alongside standing governance activities and preparation towards taught degree awarding powers expression of interest, in common with the wider higher education and corporate sector, the London School managed and responded to the significant challenge of the COVID-19 Pandemic. The Board of Directors has exercised relevant governance oversight of the management of the academic, financial and organizational risks posed by the pandemic. It is assured that appropriate controls for the management of risk are in place based upon the detailed and systematic reporting on the monitoring and mitigation of risks undertaken by the School, including the arrangements for maintaining continuity and quality of study.

The Board of Directors is in the process of appointing two replacement (Non-Executive and/or Company) Directors. The retirement of our outgoing Non-Executive Director and the recent resignation of one Company Director (due to a change in the ultimate beneficial ownership of the parent company) during the last period have been reported/ notified to relevant regulatory bodies as appropriate.

Internal Control

The Board of Directors is responsible for ensuring and maintaining a sound system of internal control to support the School's objectives, the safeguarding of its assets and resources and the management of risk. In accordance with its Scheme of Delegation, the Audit Committee maintains oversight of safeguarding of public and other funds (in line with the OfS' Terms & Conditions of Funding in Higher Education Institutions, the management of the Risk Register and the appointed internal auditors provide an independent opinion of the adequacy of the School's risk management and the systems of internal control.

This system described below is an on-going process designed to identify the principal risks to the achievement of the School's aims and objectives; to evaluate the likelihood and impact of those risks; and to manage them efficiently, effectively and economically. This process has been in place for the year ended 30 June 2020 and up to the date of approval of the financial statements and accords with OfS guidance.

The key elements of the School's systems of risk management and internal control, which are designed to discharge the responsibilities set out above, include the following:

- Financial controls and procedures set and maintained at School level, in line with Shareholder and Board of Directors requirements and UK regulations;
- Financial controls and procedures set to oversight of systems that prevent and detect fraud, bribery and other irregularities (i.e. segregation of duty; sign-off forms; reports) are set and maintained at School level under oversight by the Board of Directors;
- Clearly defined requirements for approval and control of expenditure, with business plan decisions involving capital or revenue expenditure according to approved levels are set by the Shareholders under oversight by the Board of Directors;
- Strategic (3 year and) annual financial sustainability and capital expenditure planning for Board of Directors consideration and ultimate Shareholder submission and approval;
- Quarterly School budget management and forecasting (under the School leadership team) in line with approved Board financial planning, reported through Audit Committee, to the Board and Shareholders
- Monthly forecasting business review, supplemented by detailed projected annual income, expenditure, capital and cash flow budgets to inform the Leadership team, Board of Governors and Audit Committee of ongoing performance;
- Weekly Market Reviews to monitor student recruitment and projected revenue results involving variance reporting and updates of forecast outturns.

Risk Management:

- The School embeds risk management and internal control processes in the annual operation of academic and professional services activities
- The School Risk Unit evaluates the likelihood and impact of risks establishing mitigating controls through the School Risk Register, overseen by the School Registrar on behalf of the Leadership team. The Register includes an evaluation of the likelihood and impact of risks, and identifies mitigation measures
- Clear responsibilities and delegated authority of managers including responsibility for identifying and managing operational risks at a departmental level and escalating significant risk to the School Risk Unit
- The School Board evaluates identification and management of risk to the achievement of the London School's strategic objectives through the annual planning & quarterly review process;

Internal Audit

- A professional independent Internal Audit team is appointed by the Audit Committee. The annual programme is approved by the Audit Committee and reports through the Audit Committee to the Board of Governors and Board of Directors;

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance ofeffectiveness.

External Audit

- In December 2019, the School hosted the OfS independent external audit on Management & Governance (completed by PWC on behalf of the OfS).
  The PWC report noted that the London School demonstrated 'sufficient and credible information to demonstrate that arrangements for Management & Governance are well designed and operating properly'. The School awaits the formal OfS outcome in relation to the report which is pending at this time (due to COVID-19 delays).

- Ernst & Young LLP London are the external Auditors performing the audit on the Financial Statements of the Company.

Independent auditor's report to the Members of Istituto Marangoni Limited

Opinion

We have audited the financial statements of Istituto Marangoni Limited for the year ended 30 June 2020 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity, the cash flow Statement and the related notes 1 to 15, 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, the financial statements:

- give a true and fair view of the company's affairs as at 30 June 2020 and of its profit 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.
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, relevant legislation and Office for Students requirements.

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 below. 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.

Emphasis of Matter – COVID-19

We draw attention to Note 1 of the financial statements, which describes the impacts the company is facing as a result of COVID-19. Our opinion is not modified in respect of this matter.

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 other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. The directors are responsible for the other information.
Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the 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 the 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 directors’ report have been prepared in accordance with applicable legal requirements.

Opinion on other matters prescribed by the Office for Students

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

- funds from whatever source administered by Istituto Marangoni Limited have been properly applied to those purposes and managed in accordance with relevant legislation;

- funds provided by the Office for Students have been applied in accordance with the applicable Terms and conditions attached to them; and

- the requirements of the Office for Students accounts direction for the relevant year’s financial statements have been met.

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 or directors’ report.

We have nothing to report in respect of the following matters in relation to which 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.

We have nothing to report in respect of the following matters in relation to which the Office for Students require us to report to you where:

- the University’s grant and fee income, as disclosed in Note 1 to the financial statements, has been materially misstated

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, 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 https://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.

Ernst & Young LLP

Gordon Cullen (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

30 November 2020

Profit and loss account
For the year ended 30 June 2020

	Note	Year ended June 30, 2020 £	6 Months period ended June 30, 2019 £
Turnover		15,535,203	9,440,829
Cost of sales		(4,390,360)	(2,518,833)
Gross Profit		11,144,843	6,921,996
Administrative expenses		(5,773,016)	(2,290,251)
Operating Profit	2	5,371,826	4,631,745
Interest receivable and similar income	3	1,122,471	401,932
Profit on ordinary activities before taxation		6,493,900	5,033,677
Tax on profit on ordinary activities	4	(928,938)	(1,000,000)
Profit for the financial period		5,564,962	4,033,677

All amounts relate to continuing activities.
There were no recognized gains or losses other than those included in the profit and loss account.
The notes 1 to 15 form part of these financial statements.

Balance sheet

at 30 June 2020

	Note	June 30, 2020 £	June 30, 2019 £
Non-current assets			
Fixed assets			
Tangible assets	5	1,543,448	1,499,554
Investments		743,207	743,206
Debtors amounts falling due after more than one year	6	11,277,379	10,613,445
		13,564,035	12,856,205
Current assets			
Debtors amounts falling due within one year	6	7,748,242	7,603,891
Cash at bank and in hand		3,489,651	3,478,143
		11,237,893	11,082,034
Creditors amounts falling due within one year	7	6,925,507	8,626,780
Net current assets		4,312,386	2,455,254
Total assets less current liabilities		17,876,420	15,311,459
Creditors amounts falling due after more than one year	7	2,134	2,134
Net assets		17,874,287	15,309,325
Capital and Reserves			
Called up share capital	9	50,000	50,000
Share premium account	10	250,000	250,000
Profit and loss account	10	17,574,287	15,009,325
Shareholders' Funds		17,874,287	15,309,325

The notes 1 to 15 form part of these financial statements.
The financial statements were approved and authorized for issue by the board and were signed on its behalf by:

....
C Gorse
Director
Date: 27/11/2020

Statement of changes in equity

For the period ended 30 June 2019

	Called-up share capital	Share premium	Dividend	Profit and loss account	Total Equity
At 1 January 2019	50,000	250,000		10,975,648	11,275,648
Profit for the financial period	-	-		4,033,677	4,033,677
Equity dividends paid	-	-		-	-
At 30 June 2019	50,000	250,000		15,009,325	15,309,325

For the year ended 30 June 2020

	Called-up share capital	Share premium	Dividend	Profit and loss account	Total Equity
At 1 July 2019	50,000	250,000		15,009,325	15,309,325
Profit for the financial period	-	-		5,564,962	5,564,962
Equity dividends paid (note 11)	-	-	(3,000,000)	-	-3,000,000
At 30 June 2020	50,000	250,000	(3,000,000)	20,574,287	17,874,287

Cash Flow statement

For the year ended 30 June 2020

Amounts in £000	Year ended June 30, 2020	6 Months period ended June 30, 2019
Cash Flows used in operating activities		
Profit for the financial period before tax	6,494	5,034
Depreciation on property, plant and equipment	545	261
Movements in deferred revenue	-821	-4,847
Finance income	-851	-402
Change in working capital	-114	208
	5,253	254
Interest received		
Interest paid		
Income tax paid	-1,644	631
Net cash generated used in operating activities	3,609	885
Cash Flows used in investing activities		
Purchase of property, plant and equipment	-589	-75
Net cash used in investing activities	-589	-75
Cash Flows used in financing activities		
Proceeds from borrowings		
Repayment of borrowings	-	250
Payment of Dividend	-3,000	-4,000
Net cash used in financing activities	-3,000	-3,750
Net (decrease) in cash and cash equivalents	20	-2,940
Net foreign exchange differences	-9	-18
Cash and cash equivalents at the beginning of the year	3,478	6,436
Cash and cash equivalents at the end of the period	3,490	3,478

Notes to the financial statements

For the year ended 30 June 2020

1. Accounting policies

1.1 Statement of compliance

Istituto Marangoni Limited is a limited liability company incorporated in England. The Registered office is 30 Fashion Street, London E1 6PX, United Kingdom

The financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the company for the period ended 30 June 2020.

1.2 Basis of preparation

The financial statements of the company were approved for issue by the Board of Directors on November 27, 2020. The financial statements have been prepared in accordance with applicable accounting standards and under OfS Regulatory Advice 9: Accounts direction.

The company has taken advantage of the following disclosure exemptions under FRS 102:

(a) The requirements of Section 11 paragraphs 11.39 to 11.43A and Section 12 paragraphs 12.26 to 12.29 providing the equivalent disclosures required by this FRS are included in the consolidated financial statements of the group in which the entity is consolidated.

(b) The requirement of Section 33 Related Party Disclosures paragraph 33.7.

The company's financial statements are prepared in Sterling and all values are rounded to the nearest pound, except when otherwise indicated.

1.3 Judgements and key sources of estimation uncertainly

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on the amounts recognised in the financial statements.

The following are the company's key sources of estimation uncertainty:

Operating lease commitments

The company has entered into commercial property leases as a lessee. The classification of such leases as operating leases requires the company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

Notes to the financial statements

For the year ended 30 June 2020

Accounting policies (continued)

Taxation

The company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.
Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

1.4 Significant accounting policies

Tangible fixed assets

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost included costs directly attributable to making the asset capable of operating as intended. Depreciation is provided on all property, plant and equipment, at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life as follows:

Leasehold improvement	−	20% straight line
Computer equipment	−	33% straight line
Fixtures & fittings	–	25% straight line
Plant & Machinery	−	20% straight line

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance and provision of higher educational courses related to the fashion and design industry. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.
Revenue represents the value of the work done in the period, including estimates of amounts not invoiced. Revenue in respect of contracts for on-going services is recognized by reference to the stage of completion.

Interest income

Revenue is recognised as interest accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instruments to its net carrying mount.

Dividends

Revenue is recognised when the company’s right to receive payment is established.

Accounting policies (continued)

1.4 Significant accounting policies (continued)

Provision for liabilities

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Deferred tax

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 have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more tax with the following exception:
Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.
Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the rate of the transaction.
Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.
All the differences are taken to the income statement.

Financial instruments

The company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire.

Cash at bank and in hand

Cash at bank and in hand in the balance sheet comprise cash at current bank accounts and in hand. Short-term debtors and creditors.

Debtors and creditors

With no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

Operating leases

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term. Lease incentives are recognised over the lease term on a straight line basis.

Pensions

The company makes defined contributions to a group personal pension scheme on behalf of its employees. Contributions are charged to the profit and loss account in the period in which they become payable.

Accounting policies (continued)

Turnover

The whole of the turnover is attributable to the provision of higher educational courses related to the fashion and design industry.

All turnover arose within the United Kingdom.

	Year ended June 30, 2020 £	6 Months period ended June 30, 2019 £
Grant income from the OfS	-	-
Grant income from other bodies	-	-
Fee income for taught awards (exclusive of VAT)	15,535,203	9,440,829
Fee income for research awards (exclusive of VAT)	-	-
Fee income for non-qualifying courses (exclusive of VAT)	-	-
Total grant and fee income	15,535,203	9,440,829

2. Operating Profit

The operating profit is stated after charging and crediting:

	Year ended June 30, 2020 £	6 Months period ended June 30, 2019 £
Depreciation of tangible fixed assets	544,812	261,058
Auditors' remuneration	48,750	38,200
Net profit on foreign exchange transactions	8,603	18,402
Rent	1,581,634	624,960
	2,183,799	942,620

During the period, no director received any emoluments (2019 - £NIL). The directors were remunerated by other group undertakings.

3. Interest receivable and similar income

	Year ended June 30, 2020 £	6 Months period ended June 30, 2019 £
Interest receivable on intercompany loan	850,504	401,932
Other Finance Income	271,569	-
	1,122,074	401,932

4. Tax on profit on ordinary activities

	Year ended June 30, 2020 £	6 Months period ended June 30, 2019 £
Analysis of tax charge in the year		
Current tax		
UK corporation tax charge on profit for the year	1,295,903	986,999
Adjustments in respect of prior periods - corporation tax	(319,859)	-
	976,044	986,999
Group taxation relief	-	-
Total current tax	976,044	986,999
Deferred tax (see note 8)		
Origination and reversal of timing differences	(47,106)	13,001
Tax on profit on ordinary activities	928,938	1,000,000

Factors affecting tax charge for the year
The tax charge for the period is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	Year ended June 30, 2020 £	6 Months period ended June 30, 2019 £
Profit on ordinary activities before tax	6,493,901	5,033,677
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	1,233,841	956,399
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	47,179	1,797
Deferred Tax PY	(36,769)	-
Adjustments to tax charge in respect of prior periods	(319,859)	28,803
Tax rate differences	4,546	-
Current tax charge for the year	928,938	986,999

5. Tangible fixed assets

	L/Term Leasehold Property	Plant & machinery	Fixtures & fittings	Computer equipment	Total
	£	£	£	£	£
Cost					
At 30 June 2019	2,708,213	102,596	876,187	697,186	4,384,182
Additions	524,142	5,086	20,471	39,007	588,705
At 30 June 2020	3,232,355	107,682	896,658	736,193	4,972,887
Depreciation					
At 30 June 2019	1,553,997	91,220	613,060	626,351	2,884,628
Charge for the year	390,984	3,219	109,710	40,899	544,812
At 30 June 2020	1,944,981	94,439	722,770	667,250	3,429,440
Carrying value					
At 30 June 2019	1,154,216	11,376	263,127	70,835	1,499,554
At 30 June 2020	1,287,374	13,243	173,888	68,943	1,543,448

6. Debtors

	June 30, 2020	June 30, 2019
	£	£
Due after more than one year		
Amounts owed by group undertakings	11,277,379	10,613,445
	11,277,379	10,613,445
Due within one year		
Trade debtors	368,505	838,822
Amounts owed by group undertakings	6,413,496	6,181,248
Prepayments	966,240	583,821
	7,748,242	7,603,891

Debtors (continued)

The amount in other debtors due after more than one year relates to a rent deposit.

Included in amounts owed by group undertakings are the following loans:

- £1,500,000 to Galileo Global Education Luxco S.a.r.l (formerly MBSP 3 S.a.r.l). The loan accrues interest at a rate of 8.1875% per annum and is repayable on demand or on 18 December 2018, whichever occurs earlier.
- EUR 7,000,000 to Galileo Global Education Luxco S.a.r.l (formerly MBSP 3 S.a.r.l). The loan accrues interest at a rate of 4.75% per annum and is repayable on demand.
- EUR 2,000,000 to Istituto Marangoni S.r.l. The loan accrues interest at a rate of 4.567% per annum and is repayable on demand.
- EUR 1,800,000 to Istituto Marangoni S.r.l. The loan accrues interest at a rate of 3.986% per annum and is repayable on demand.
- EUR 2,000,000 to Istituto Marangoni S.r.l. The loan accrues interest at a rate 4.014% of per annum and is repayable on demand.

Accrued interests are included in amounts owed by group undertaking.

7. Creditors

Due within one year	June 30, 2020	June 30, 2019
	£	£
Trade creditors	735,186	611,208
Amounts owed to group undertakings	148,843	-
Deferred tax liability (see note 8)	28,303	75,409
Social security and other taxes	130,236	152,465
Dividends payable	-	303,375
Accruals	1,701,877	1,813,905
Corporation tax payable	582,225	1,250,680
Deferred income	3,598,836	4,419,738
	6,925,507	8,626,780

Due after more than one year	June 30, 2020	June 30, 2019
	£	£
Other	2,134	2,134
	2,134	2,134

Notes to the financial statements

For the year ended 30 June 2020

8. Deferred tax

The deferred tax liability is made up as follows:

	June 30, 2020	June 30, 2019
	£	£
At beginning of year	(75,409)	(62,408)
Prior year adjustment	-	-
Charged during year	47,106	(13,001)
Liability at end of the year	(28,303)	(75,409)

	June 30, 2020	June 30, 2019
	£	£
Accelerated capital allowances	(28,303)	(75,409)
	(28,303)	(75,409)

9. Share Capital

	June 30, 2020	June 30, 2019
	£	£
Authorized, allotted, called up and fully paid		
50,000 Ordinary Shares of £1each	50,000	50,000

10. Reserves

	Share Premium Account	**Profit and loss account**
	£	£
At 1 July 2019	250,000	15,009,325
Profit for the year	-	5,564,962
Dividends paid on equity capital	-	(3,000,000)
At 30 June 2020	250,000	17,574,287

11. Dividends

	Year Ended June 30, 2020	6 Month Period Ended June 30, 2019
	£	£
Dividends paid on equity capital	3,000,000	-

12. Operating lease commitments

At 30 June 2020, the company had commitments under non-cancellable operating leases as follows:

Building

	Year Ended June 30, 2020	6 Month Period Ended June 30, 2019
	£	£
Amounts payable:		
No later than 1 year	1,965,737	1,443,740
Later than 1 year and no later than 5 years	10,056,422	7,323,590
Later than 5 years	6,096,746	6,025,408
	18,118,905	14,792,738

Equipment

	Year Ended June 30, 2020	6 Month Period Ended June 30, 2019
	£	£
Amounts payable:		
No later than 1 year	47,386	47,256
Later than 1 year and no later than 5 years	-	47,386
Later than 5 years	-	-
	47,386	94,642

13. Staff costs

13.1. Staff costs breakdown

	Year Ended June 30, 2020	6 Month Period Ended June 30, 2019
	£	£
Wages and salaries – Teachers	1,948,239	1,291,159
Wages and salaries- Administration	1,063,576	395,342
Social security costs	176,026	96,690
Pension costs	35,651	12,701
	3,223,492	1,795,892

The average number of employees during the year was made up as follows:

	Year Ended June 30, 2020	6 Month Period Ended June 30, 2019
	No.	*No.*
Administration	26	25
Teachers	79	52

13.2 Basic Salary of other higher paid staff

No Staff has a full-time equivalent basic salary of over £100,000 per annum.

	12 Months 2020 **Number of staff**	6 Months 2019 **Number of staff**
Basic salary per annum		
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-

13.3 School Director remuneration

The School undertakes a remuneration review process annually with all staff. This process ensures appropriate remuneration for all staff members respecting value, contribution and market positioning. The review includes:

- conclusion of individual performance review (line manager evaluation on the basis of set objectives and related achievements);
- annual company budget (previously defined and communicated; in 2017, up to 4%) is considered with which potential remuneration increases can be proposed;
- the School Director projects proposed increases for all eligible IM Ltd employees which are reviewed by Human Resources, to ensure consistency with evaluation/ process and budgetary impact;
- the IM Srl Managing Director (on behalf of shareholders) projects proposed increases for the IM Ltd School Director which are reviewed by IM Srl Human Resources, to ensure consistency with evaluation/ process and budgetary impact;
- approval is confirmed through the Istituto Marangoni Remuneration Board where consistency of methodology and outcome across the Shareholder organisation (respecting local job market conditions) is considered.

In addition, in 19/20, a competitor market pay scale analysis (by the independent organisational firm consultancy, Korn Ferry) was undertaken to evaluate all School salaries in relation to both the higher education sector and the corporate sector.

	Year Ended June 30, 2020	6 Month Period Ended June 30, 2019
Basic salary	88,000	44,000
Payments in lieu of pension contributions	-	-
Payment of dividends	-	-
Performance-related pay and other bonuses	22,286	22,755
Pension contributions	-	-
Salary sacrifice arrangements	-	-
Compensation for loss of office	-	-
Any sums paid under any pension scheme in relation to employment with the provider	6,137	2,785
Other taxable benefits	-	-
Non-taxable benefits	-	-

The School Director’s basic salary is 2 times the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid to established and sessional staff.

School Director Salary justification

Since the current School Director joined in 2015, the London School has continuously achieved goals such as: increase of students’ population, validation of their own Foundation course in 2019, expansion of the School’s facilities, enhancement of the students’ experience, and increase of laboratories for creative courses. The School Director has been doing an outstanding job, meeting the vast majority of objectives and targets.

13.4 Severance payments

In 2019, an amount of £5,721 has been paid to 1 member of staff.
Additional £5,721 were accrued in 2019 Account and paid out in 2020.

	Year Ended June 30, 2020	6 Month Period Ended June 30, 2019
Severance Payment	-	11,443

14. Related party transactions

The company has taken advantage of the exemption under paragraph 3 3 .1 a of FRS 102 not to disclose transactions with fellow wholly owned subsidiaries

15. Post balance sheet events

Ultimate parent undertaking and controlling party

As of 31 December 2014, the immediate parent undertaking was Marangoni Holdings Limited, a company incorporated in England and Wales. The parent undertaking of Marangoni Holdings Limited is PSFG Limited, a company incorporated in England and Wales. As of 11 February 2020 Marangoni Holdings Limited and Marangoni Holdings Limited have been liquidated.
In 2015 a change occurred in the ownerships of Istituto Marangoni Limited. On September 17, 2015 the Shareholder's meeting of Istituto Marangoni Srl, a company incorporated in Italy, resolved the purchase of 100% Istituto Marangoni Limited from Marangoni Holdings Limited. As a consequence, as of 31 December 2015 the immediate parent undertaking of Istituto Marangoni Limited is Istituto Marangoni Srl. The ultimate parent undertaking is Providence Equity Partners VI International LP., having acquired Istituto Marangoni Limited from the former ultimate parent undertaking, Career Education Corporation, on 14th November 2011. Providence Equity Partners are a private equity firm incorporated in the United States of America.
In March 2020, Providence Equity Partners ('Providence'), the majority shareholder since 2011, entered into exclusive negotiations for the sale of the Group to a consortium comprised of global long-term institutional investors, including Canada Pension Plan Investment Board ('CPP Investments'), through its wholly owned subsidiary, CPP Investment Board Europe S.à r.l., and Montagu Private Equity LLP, alongside existing shareholders Téthys Invest SAS and Bpifrance Investissement Sas. On 1 July 2020, Providence, sold its shares in the Group to the consortium.
As of 30 June 2020, the Company's shares were ultimately controlled by Providence Equity Partners VII-A LP ("PEP VII LP).

School reopening

During 2020/21, the School will continue to operate a flexible hybrid approach to delivery, providing a combination of face to face teaching following all relevant government and public health advice and blended/ online learning as necessary to our local and international student population needs. The approach has enabled it to largely deliver its student recruitment planned while additional investment has and will continue to be made to ensure it provides high quality digital learning and in health and safety measures including PPE and special equipment and new space allocation (to secure social distancing).