



Financial statements Camelot Midco Limited

For the Year Ended 31 August 2015

Officers and professional advisers

Company registration number

08780064

Registered office

Kett House
Station Road
CAMBRIDGE
CB1 2JH

Directors

F Brownlee
H Shah
M Stanton

Auditor

Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
101 Cambridge Science Park
Milton Road
CAMBRIDGE
CB4 0FY

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Strategic report

Principal activities

The principal activity of the company during the period was that of an intermediate holding company for Cambridge Education Group Limited and its subsidiaries (“CEG”).

CEG, established in 1952, is a UK-based global group that specialises in provision of the highest quality academic and English language programmes to international students out of its 25 schools and centres across the UK, USA and continental Europe.

Through its five business units, CEG’s broad portfolio offers High School programmes, foundation in the creative arts, foundation pathways to degree-level education, English language for adults and Junior Summer Camps.

Attracting students from around the world who seek entry into the best universities in the UK, Europe and the USA, CEG operates within the buoyant international education sector which continues to grow. The driver for this growth is mainly due to the increasing wealth of emerging economies where a rising number of parents in the aspiring middle classes are now able to afford their children an overseas education which is generally perceived to be of higher quality and can often lead to better job opportunities upon return. Fluency in the English language has long been perceived as a competitive advantage internationally which reinforces this trend.

CEG teaches the broadest academic portfolio in the industry, meaning it can cater appropriately for the needs of more students than its peers due to its diverse offering. The underlying principles across all divisions are:

- world-class provision of classroom based teaching in the English language;
- a customer led service ethos, acknowledging and responding to the cultural and linguistic gaps between the parent at home and the student in our care;
- helping our students to achieve entry to the best universities according to their aspirations and abilities – with CEG possessing sector leading progression rates;
- continuous investment into state-of-the-art facilities which is evident at sites in London, Canterbury, Cambridge and Boston;
- employing best-in-class teachers accustomed to teaching students whose first language is not English, as well as having the ability to inspire and engage students to exceed their own expectations.

Business review

The company was incorporated on 18 November 2013 and on 18 December 2013, through its subsidiary Camelot Bidco Limited, acquired the group headed by Cambridge Education Group Limited. The comparative figures presented in these financial statements should be interpreted accordingly.

The results for the period and financial position of the company are as shown in the financial statements. In the opinion of the directors the state of the company's affairs at 31 August 2015 was satisfactory.

The company is dependent on the results of CEG and the following commentary relates to the results of that group for the year ended 31 August 2015.

During 2014/15 we have continued to make significant investments to support future growth:

- opening of new premium accommodation in London only 2 minutes' walk from our CATS School;
- opening of our new CATS Cambridge campus;
- the first stage of the acquisition of a group of 3 language schools in the US and the opening of a new English language school in Cambridge further strengthening our worldwide portfolio of English language schools.

During the year we also continued to make significant progress against our strategy – in particular:

- added 3 new OnCampus pathway partnerships: California State Monterrey Bay and North Texas in the US, Lund University in Sweden and University of Hull in the UK;
- continued to grow our US high school student numbers which bodes well for 2016/17 academic year when we move to our new campus in Boston.

The external environment has been a challenging one with further UK immigration policy changes challenging student recruitment into the UK. In addition economic and political volatility in key markets such as Russia have further dampened growth.

However, despite these challenges 2014/15 continues the group's growth trajectory. Year on year group revenues have grown by 7.7% (£7.0m), with strong recruitment growth across our full portfolio of academic programmes.

Capital expenditure of £6.9m has been focused on developing the school in Boston, Massachusetts and also further developments in Cambridge, UK and Canterbury. In addition we spent £3.1m on the first stage of the acquisition of the Intrax English Academies LLC.

Future developments

We continue in 2015/16 to look for ways to develop our property portfolio, especially in the arena of quality student accommodation, to improve the quality of the student experience.

Continued international expansion is at the heart of the group's growth plans.

Financial key performance indicators

The Board and management use the following Key Performance Indicators (KPIs) to monitor the success of the business. These KPIs are based on the results of the trading group headed by Cambridge Education Group Limited:

- turnover growth
- recurring operating profit as a percentage of turnover
- turnover per employee
- recurring operating profit per employee

During the year:

- turnover continued to grow and was 7.7% above 2014;
- operating margins reduced from 13.4% to 13.1%;
- turnover per employee rose 6.0% from £82,949 to £87,953;
- operating profit before exceptional credit, depreciation and amortisation per employee rose 3.8% from £11,134 to £11,555.

Principal risks and uncertainties

In common with other businesses of a similar nature, the group is exposed to a variety of risks and uncertainties. The directors believe the principal risks are:

- impact of changes in global visa application processes;
- global reduction in international movement;
- adverse movements in interest and exchange rates; and
- significant disruption in the trading ability of the group due to global disease scares;

Policies are in place to monitor and manage each of these risks.

Financial risk management objectives and policies

The group uses various financial instruments including syndicated bank loans, loan notes, intra group loans and trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is working capital for the group's operations, and finance for capital investment.

The main risks arising from the group's financial instruments are interest rate risk, liquidity risk and credit risk. The directors' review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

The group finances its operations through a mixture of equity, syndicated bank borrowings, loan notes and intra group loans. The group exposure to interest rate fluctuations on its borrowing is managed by the use of interest-rate swap arrangements. The company itself is not party to interest-rate swap arrangements as its borrowings are either from other group companies at fixed rates or the risk is managed on a group wide basis.

Liquidity risk

The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Short-term flexibility is achieved by a group backed bank lending facility.

Foreign Risk

The group operates internationally and is exposed to foreign currency transactional risk arising from various currency exposures.

Foreign exchange risk arises when commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The group also has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk primarily with respect to the US dollar and Euro.

Any exposure to foreign currency risk is naturally hedged with future development plans.

Credit risk

The group's principal financial assets are cash and trade debtors.

In order to manage credit risk the directors prioritise the credit control function and clear guidelines are in place for dealing with slow-payers.

The Board would like to thank our staff for the support, commitment and enthusiasm shown last year. We continue to be grateful to our increasingly global and unfailingly committed staff for their commitment to the group's future as a quality teaching and learning provider across the education spectrum from pure English courses to all forms of university preparation programme, in the UK, USA and Europe. We hope in turn to generate consistent business returns to our shareholders. Cambridge Education Group Limited will continue to look to develop and benefit our important stakeholders - students, staff, academic partners and financial backers - as it expands further in 2015/16.

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



Hetal Shah

CFO

23 May 2016

Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 August 2015.

Results and dividends

The loss for the period after taxation, amounted to £1,462,726 (2014 - £2) No dividend has been paid out during the period.

During the year the company issued Payment In Kind loan notes ("PIK notes") to holders of certain of its investor loan notes in satisfaction of interest due thereon. To facilitate this, the loan notes on which the interest was deemed paid were first listed on the Channel Islands Stock Exchange.

Directors

The directors who served the company during the period and changes since that date were as follows:

F Brownlee
J Phillips resigned 16 October 2014)
H Shah appointed 22 October 2014
M Stanton

Directors' responsibilities

The directors are responsible for preparing the Report of the Directors 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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice). 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 those financial statements, the directors are required to:

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

Report of the directors (continued)

Disclosure of information to auditor

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

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

Auditor

Grant Thornton UK LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to be 'H Shah', written over a circular stamp or seal.

H Shah

23 May 2016



Independent auditor's report to the members of Camelot Midco Limited

We have audited the financial statements of Camelot Midco Limited for the year ended 31 August 2015 which comprise the accounting policies, profit and loss account, balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement 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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2015 and of its loss for the period 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and Report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Camelot Midco Limited (continued)

Matters on which we are required to report by exception

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.



Alison Seekings (Senior Statutory Auditor)
For and on behalf of
Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants

Cambridge

26 May 2016

Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention.

The directors consider that the company has adequate group support to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Consolidation

The financial statements contain information about Camelot Midco Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Camelot Topco Limited, a company registered in England and Wales.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

Fixed assets

All fixed assets are initially recorded at cost.

Deferred taxation

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 a right to pay less or to receive more tax, with the following exceptions:

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.

Financial instruments

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 entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Profit and loss account

		Year ended 31 August 2015 £	Period ended 31 August 2014 £
Note			
	Other operating charges	12,662	-
	Operating Loss	(12,662)	-
	Interest receivable from group undertakings	2 6,568,143	5,035,502
	Interest payable	3 (6,567,989)	(5,035,504)
	Loss on ordinary activities before taxation	(12,508)	(2)
	Tax on loss on ordinary activities	4 (1,450,218)	-
	Loss for the financial period	11 (1,462,726)	(2)

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

The accompanying accounting policies and notes form part of these financial statements.

Balance sheet

		2015	2014
			As restated
	Note	£	£
Fixed assets			
Investments	5	<u>39,499,330</u>	<u>39,499,330</u>
Current assets			
Debtors: amounts falling due within one year	6	-	-
Debtors amounts falling due after more than one year	6	<u>78,037,339</u>	<u>70,303,909</u>
Cash at bank		<u>6,500,000</u>	<u>6,500,000</u>
		<u>84,537,339</u>	<u>76,803,909</u>
Creditors: amounts falling due within one year	7	<u>3,387,035</u>	<u>5,035,504</u>
Net current assets		<u>81,150,304</u>	<u>71,768,405</u>
Total assets less current liabilities		120,649,634	111,267,735
Creditors: amounts falling due after more than one year	8	<u>76,113,032</u>	<u>65,268,407</u>
		<u>44,536,602</u>	<u>45,999,328</u>
Capital and reserves			
Called-up equity share capital	10	<u>45,999,330</u>	<u>45,999,330</u>
Profit and loss account	11	<u>(1,462,728)</u>	<u>(2)</u>
Shareholders' funds	12	<u>44,536,602</u>	<u>45,999,328</u>

These financial statements were approved by the directors and authorised for issue on 23 May 2016, and are signed on their behalf by:



H Shah

CFO

Company Registration Number: 08780064

The accompanying accounting policies and notes form part of these financial statements.

Notes to the financial statements

1 Operating loss

Directors' remuneration and auditors' remuneration was borne by other group companies in 2014 and 2015.

2 Interest income

	2015 Year £	2014 Period £
Interest receivable on intragroup loans	4,669,950	3,576,518
Interest receivable on intragroup loan notes	1,898,193	1,458,984
	<u>6,568,143</u>	<u>5,035,502</u>

3 Interest payable

	2015 Year £	2014 Period £
Interest payable on investor loan notes	5,576,223	4,276,634
Interest payable on intragroup loan notes	991,766	758,870
	<u>6,567,989</u>	<u>5,035,504</u>

4 Taxation on ordinary activities

(a) analysis of charge in the year

The tax charge represents

	2015 Year £	2014 Period £
Current tax		
United Kingdom corporation tax for the period at 20.58% (2014 – 22.16%)	900,510	-
Under provision in prior year	549,708	-
Total current tax	<u>1,450,218</u>	<u>-</u>

b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is lower than the standard rate of corporation tax in the UK of 20.58% (2014 – 22.16%) The differences are explained below:

	2015 Year £	2014 Period £
Loss on ordinary activities before taxation	<u>(12,508)</u>	<u>(2)</u>
Loss on ordinary activities by rate of tax	(2,574)	-
Expenses not deductible for tax purposes	903,084	-
Adjustment to charge in respect of prior periods	549,708	-
Total current tax	<u>1,450,218</u>	<u>-</u>

5 Investments

	£
Cost and net book value:	
At 31 August 2014 and 31 August 2015	<u>39,499,330</u>

Subsidiary Undertakings

At 31 August 2015 the company held more than 20% of the allotted share capital of the following subsidiary undertakings all of which are incorporated in England & Wales unless otherwise noted:

Subsidiary undertakings	Class of share held	Proportion of voting rights and shares held	Nature of business
Direct shareholdings			
Camelot Interco Limited	Ordinary shares	100%	Intermediate holding company

5 Investments (continued)

Subsidiary undertakings	Class of share held	Proportion of voting rights and shares held	Nature of business
<u>Indirect shareholdings</u>			
Camelot Holdco Limited	Ordinary shares	100%	Intermediate holding company
Camelot Bidco Limited	Ordinary shares	100%	Intermediate holding company
Cambridge Education Group Limited	Ordinary shares	100%	Intermediate holding company
CEG Properties Limited	Ordinary shares	100%	Holding of assets for use by other group companies
CEG Administrative Services Limited	Ordinary shares	100%	Provision of administrative services for group companies
CEG Colleges Limited	Ordinary shares	100%	Intermediate holding company
Cambridge Arts & Sciences Limited	Ordinary shares	100%	Pre-university study programmes
CATS Canterbury Limited	Ordinary shares	100%	Pre-university study programmes
CATS College London Limited	Ordinary shares	100%	Pre-university study programmes
Stafford House Companies Limited	Ordinary shares	100%	Intermediate holding company
Stafford House Study Holidays Limited	Ordinary shares	100%	Summer English Language Programmes
Stafford House School of English Limited	Ordinary shares	100%	Year round English language programmes
CEG UFP Limited	Ordinary shares	100%	Provision of on site university foundation courses
London South Bank FoundationCampus Limited	Ordinary shares	100%	Provision of on site university foundation courses
Coventry Foundation Campus Limited	Ordinary shares	100%	Provision of on site university foundation courses
CEG UCLAN Foundation Campus Limited	Ordinary shares	100%	Provision of on site university foundation courses
Foundation Campus London Limited	Ordinary shares	100%	Provision of on site university foundation courses
CEG FoundationCampus Sunderland Limited	Ordinary shares	100%	Provision of on site university foundation courses
CATS Retail Limited	Ordinary shares	100%	Dormant
Cambridge School of Art & Design Limited	Ordinary shares	100%	Dormant
Cambridge School of Visual and Performing Arts Limited	Ordinary shares	100%	Dormant
Study Holidays Limited	Ordinary shares	100%	Dormant
OnCampus Hull Limited	Ordinary shares	100%	Dormant

5 Investments (continued)

Indirect shareholdings (continued)

Subsidiary undertakings	Class of share held	Proportion of voting rights and shares held	Nature of business
Cambridge Education Group Holdings Inc*	Ordinary shares	100%	Intermediate holding company
CATS Academy Boston, Inc*	Ordinary shares	100%	Pre-university study programmes
ONCampus Boston, Inc*	Ordinary shares	100%	Provision of on site university foundation courses
Academy of English Boston, Inc*	Ordinary shares	100%	Year round English language programmes
OnCampus SUNY Inc *	Ordinary shares	100%	Provision of on site university foundation courses
Amsterdam FoundationCampusB.V.†	Ordinary shares	100%	Provision of on site university foundation courses
Cambridge Education Group Hong Kong Limited ‡	Ordinary shares	100%	Provision of on site university foundation courses

* Incorporated in the United States of America.

† Incorporated in the Netherlands.

‡ Incorporated in Hong Kong

6 Debtors

Amounts falling due within one year	2015 £	2014 As restated £
Amounts owed by group undertakings	-	-
	-	-
Amounts falling due after more than one year	2014 £	2014 As restated £
Amounts owed by group undertakings – loan notes	22,610,511	20,369,830
Amounts owed by group undertakings – loans	55,426,828	49,934,079
	78,037,339	70,303,909

Amounts due over one year represent interest bearing loans and loan notes. Interest of 11% is payable on the loan notes which are repayable on 30 September 2021. The loans have no fixed repayment date and bear interest at 11%.

6 Debtors (continued)

Debtors as at 31 August 2014 have been restated to reclassify interest accrued on intra-group borrowings as being due after more than one year, in line with the underlying borrowings. The effect of this is as follows:

	£
Decrease debtors falling due within one year:	
Amounts owed by group undertakings	(5,035,502)
Increase in debtors due after more than one year	
Amounts owed by group undertakings – loan notes	1,458,985
Amounts owed by group undertakings – loans	3,576,517
	<u>-</u>

This restatement has no effect on the current year balance sheet or the current year or prior period profit and loss account.

7 Creditors: amounts falling due within one year

	2015 £	2014 £
Amounts owed to group undertakings	2,486,525	758,869
Corporation tax	900,510	-
Accruals	-	4,276,635
	<u>3,387,035</u>	<u>5,035,504</u>

8 Creditors: amounts falling after more than one year

	2015 £	2014 £
Amounts owed to group undertakings – loan notes	9,836,168	9,836,168
Investor loan notes including interest	66,276,864	55,432,239
	<u>76,113,032</u>	<u>65,268,407</u>

The intra group loan has no fixed repayment date and bears interest at 11%. The investor loan notes together with interest accrued at 11% are repayable on 30 September 2021.

9 Related party transactions

As a wholly-owned subsidiary of Camelot Topco Limited, the company is exempt from the requirements of FRS 8 to disclose transactions with other members of the group on the grounds that consolidated accounts are publicly available from Companies House.

10 Share capital

Authorised share capital:

	2015 £	2014 £
45,999,330 Ordinary shares of £1 each	<u>45,999,330</u>	<u>45,999,330</u>

Allotted, called up and fully paid:

	2015		2014	
	No	£	No	£
Ordinary shares of £1 each	<u>45,999,330</u>	<u>45,999,330</u>	<u>45,999,330</u>	<u>45,999,330</u>

11 Profit and loss account

	2015 £	2014 £
Balance brought forward	(2)	-
Loss for the financial year	<u>(1,462,726)</u>	<u>(2)</u>
Balance carried forward	<u>(1,462,728)</u>	<u>(2)</u>

12 Reconciliation of movements in shareholders' funds

	2015 £	2014 £
Issue of shares	-	45,999,330
Loss for the financial year	<u>(1,462,726)</u>	<u>(2)</u>
Opening shareholders' funds	<u>45,999,328</u>	<u>45,999,328</u>
Closing shareholders' funds	<u>44,536,602</u>	<u>45,999,328</u>

13 Ultimate controlling party

The immediate holding company is Camelot Topco Limited, a company incorporated in England and Wales.

The ultimate controlling party is Bridgepoint Europe IV Fund, managed by Bridgepoint Advisers Limited, which owns the majority of the shares in the ultimate parent company on behalf of various funds.

Camelot Topco Limited is the parent undertaking of both the smallest and largest group which prepares publicly available consolidated financial statements. Copies of the consolidated financial statements may be obtained from Companies House.