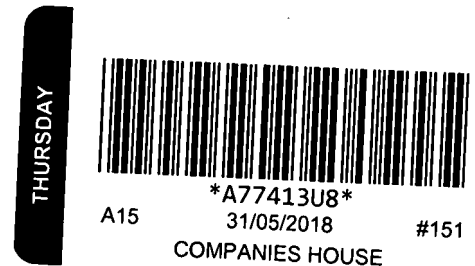




# Annual report and financial statements Camelot Midco Limited

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For the year ended 31 August 2017



Company No. 08780064

## Officers and professional advisers

<b>Company registration number</b>	08780064
<b>Registered office</b>	Kett House Station Road Cambridge CB1 2JH
<b>Directors</b>	M Ioakimides P Symes B Webb
<b>Independent auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Abacus House Castle Park Cambridge CB3 0AN

## Contents

<b>Strategic report</b>	3 - 4
<b>Directors' report</b>	5 - 6
<b>Independent auditors' report</b>	7 - 10
<b>Income statement</b>	11
<b>Statement of comprehensive income</b>	11
<b>Statement of financial position</b>	12
<b>Statement of changes in equity</b>	13
<b>Notes to the financial statements</b>	14 - 23

## Strategic report

The directors present their strategic report on the company for the year ended 31 August 2017.

### Principal activities

The principal activity of the company during the year was that of an intermediate holding company within the parent group which holds Cambridge Education Group Limited and its subsidiaries ("CEG") and parent company of CEG Digital.

Cambridge Education Group (CEG), established in 1952, is a UK-based global group that specialises in provision of high quality academic and English language programmes to international students out of its 30 schools and centres across the UK, North America and continental Europe.

CEG operates its business through four divisions:

- **High Schools** – offering high school programmes in Cambridge, Canterbury and London in the UK and Boston, USA
- **Pathways** – offering pathway programmes on university campuses in the UK, USA and Europe for undergraduate and postgraduate degree study.
- **Stafford House** – offering high quality English language teaching for adults and juniors at ten centres in the UK and North America.
- **Arts** – Cambridge School of Visual and Performing Arts is a leading UK provider of art, design and music pathway and degree programmes.

CEG recruits international students who wish to pursue an English language based university education. We provide a broad range of programmes to enable our students to progress to the university of their choice.

The underlying principles across all divisions are:

- world-class provision of classroom based teaching in the English language;
- helping our students to achieve entry to the best universities according to their aspirations and abilities;
- continuous investment into state-of-the-art facilities which is evident at sites in London, Canterbury, Cambridge and Boston; and,
- exceptional pastoral care ensures that our student's educational experience is also safe, healthy and enjoyable.

CEG Digital is a venture established during the prior financial year to provide on-line and blended learning courses in partnership with UK Universities.

### Business review

The profit on ordinary activities before taxation for the year was £213,000 (2016 - £268,000 loss) and net assets at year end were £41,615,000 (2016 - £43,434,000). In the opinion of the directors the state of the company's affairs at 31 August 2017 was satisfactory.

As an intermediate holding company, the company is dependent on the results of CEG. During the year CEG's revenues have grown by 12.5% (£13.6m), gross profit as a percentage of revenue has held steady at 48.5% (2016 – 48.3%) and operating profit as a percentage of revenue has decreased to a loss of 0.9% (2016 – 3.6%).

### Future developments

In future the company will continue to perform its present function within the group.

### **Financial key performance indicators**

The Board and management use Key Performance Indicators (KPIs) to monitor the success of the business. The KPIs used for the trading group headed by CEG are not relevant to the activities of the company and therefore the KPIs used are that the company provide financing for the group at an acceptable cost compared to that planned and maintain its net asset position, which it has.

### **Principal risks and uncertainties**

In common with other businesses of a similar nature, the group of which the company is an intermediate parent of and on which the company is therefore dependent, is exposed to a variety of risks and uncertainties. The directors believe the principal risks are:

- impact of changes in immigration policies and visa application processes;
- global reduction in international movement of students;
- adverse movements in interest and exchange rates; and,
- significant disruption in the trading ability of the group due one-off global disasters.

The policies and procedures in place to monitor and manage these risks include:

- Investing and operating in more than one country to disaggregate the geographical, political and currency risks;
- Operating business in a number of different but related market segments, and,
- Employing staff, consultants and professional advisers with appropriate competences to mitigate both current and emerging business risks.

### **Financial risk management objectives and policies**

The company's financial risk management policies and objectives are integrated into those of the wider group. 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 to provide 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, foreign exchange risk price risk and credit risk. The directors review and agree policies for managing each of these risks and, as they relate particularly to the company, they are summarised below.

#### **Interest rate risk**

The company is not exposed to interest rate fluctuations as it borrows from its external loan note holders and parent undertaking at a fixed rate and lends to its subsidiary undertaking at a fixed rate.

#### **Liquidity risk**

The company maintains cash balances sufficient for the present servicing of its obligations.

#### **Foreign exchange risk**

Due to the nature of its activities and financial instruments, the company itself is not directly exposed to foreign exchange risk.

#### **Price and credit risk**

Due to the nature of its activities, the company itself is not directly exposed to price or credit risk.

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



P Symes  
Director  
30 May 2018

## Directors' report

The directors present their report and the audited financial statements of the company for the year ended 31 August 2017.

### Results and dividends

The loss for the financial year amounted to £1,819,000 (2016 - £1,102,000 loss). No dividend has been paid out during the year (2016 – none). The directors do not recommend the payment of a final dividend (2016 – none).

Future developments and principal risks and uncertainties are discussed in the Strategic report on pages 3 to 4.

### Directors

The directors who served the company during the year and changes and up to the date of signing of the financial statements were as follows:

M Ioakimides

H Shah

B Webb

P Symes

Resigned 29 January 2018

Appointed 17 January 2017

Appointed 9 April 2018

### Risk management

The principal risks and uncertainties and arrangements for their management are described in the Strategic report on pages 3 to 4.

### Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS 102), 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. The directors 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.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Disclosure of information to auditors**

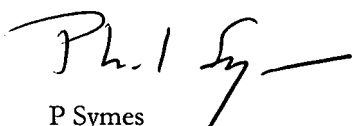
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

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

**Independent auditors**

PricewaterhouseCoopers LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487 (2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

On behalf of the board



P Symes  
Director  
30 May 2018

## ***Independent auditors' report to the members of Camelot Midco Limited***

### **Report on the audit of the financial statements**

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#### **Opinion**

In our opinion, Camelot Midco Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 August 2017; the income statement, the statement of comprehensive income, and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

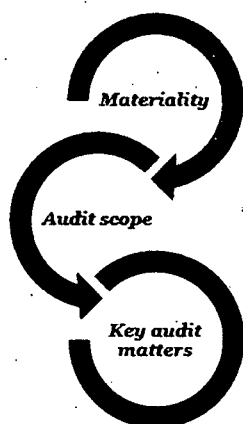
#### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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#### **Our audit approach**

##### *Overview*



- Overall materiality: £1.212 million (2016: £1.162 million), based on 1% of total assets.
  - Full scope audit performed including 100% coverage of loans held at amortised cost and interest bearing liabilities.
  - Carrying value of investments and recoverability of debtors
-

### *The scope of our audit*

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

### *Key audit matters*

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

<b><i>Key audit matter</i></b>	<b><i>How our audit addressed the key audit matter</i></b>
<p><i>Carrying value of investments and recoverability of debtors</i></p> <p>The Company holds an investment of £39,499k in subsidiary undertakings which includes Cambridge Education Group ("CEG"). In assessing whether these assets are impaired, and the amount of any impairment, management determine their fair value which involves complex and subjective judgments in relation to the future results and prospects of the business.</p> <p>The recoverability of the intercompany debtor is also dependent upon the future cash flows of subsidiaries to which funds have been loaned.</p>	<p>We evaluated the process by which the Directors prepared their cash flow forecasts and understood the changes from the prior year. We performed a critical review of the historical accuracy of budgets and forecasts by comparing the actual performance of the business in the current year against the previous budget. These procedures enabled us to determine the quality and accuracy of the forecasting process.</p> <p>The key assumptions within the forecasts centre around the continuing successful implementation of the business model driving the resulting growth rates. In assessing the appropriateness of the Directors' assumptions we considered previous growth achieved, the projected enrolment numbers, and the capacity available.</p> <p>We applied sensitivity analysis to the Directors calculations to ascertain the extent to which reasonably possible changes would, either individually or in aggregate, require the impairment of the investment.</p> <p>As a result of our work, we concurred with the Directors' conclusion that no impairment charges were required in relation to investments.</p> <p>Through our audit work on the group for cash flow projections, looking at the carrying value of investments and goodwill along with our work on going concern, we have identified no issues that would impact the recoverability of intercompany receivables.</p>

### *How we tailored the audit scope*

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

### *Materiality*

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<b>Overall materiality</b>	£1.212 million (2016: £1.162 million).
<b>How we determined it</b>	1% of total assets.
<b>Rationale for benchmark applied</b>	We believe that total assets is the primary measure used by the users of the financial statements in assessing the performance of the company, and is a generally accepted auditing benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £60,600 (2016: £58,100) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### Conclusions relating to going concern

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

- 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

#### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 August 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

### Responsibilities for the financial statements and the audit

#### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

#### *Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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## Other required reporting


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### Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

  
Andy Grimby (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cambridge  
30 May 2018

## Income statement

For the year ended 31 August 2017

	Note	2017 £'000	2016 £'000
Administrative expenses		(271)	(268)
<b>Operating loss</b>	6	<b>(271)</b>	<b>(268)</b>
Interest receivable and similar income		9,628	8,530
Interest payable and similar charges		(9,144)	(8,530)
Net interest income	8	484	-
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>213</b>	<b>(268)</b>
Tax on profit / (loss) on ordinary activities	9	(2,032)	(834)
<b>Loss for the financial year</b>		<b>(1,819)</b>	<b>(1,102)</b>

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

## Statement of comprehensive income

For the year ended 31 August 2017

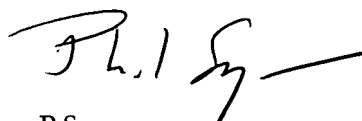
	2017 £'000	2016 £'000
<b>Loss for the financial year</b>	<b>(1,819)</b>	<b>(1,102)</b>
<b>Total comprehensive expense for the year</b>	<b>(1,819)</b>	<b>(1,102)</b>

## Statement of financial position

As at 31 August 2017

	Note	2017 £'000	2016 £'000
<b>Fixed assets</b>			
Investments	10	<u>39,499</u>	<u>39,499</u>
<b>Current assets</b>			
Debtors	11	98,814	87,634
Cash at bank and in hand		<u>17</u>	<u>3,119</u>
		<b>98,831</b>	<b>90,753</b>
<b>Creditors: amounts falling due within one year</b>	12	<u>(4,551)</u>	<u>(3,631)</u>
<b>Net current assets</b>		<u>94,280</u>	<u>87,122</u>
<b>Total assets less current liabilities</b>		<b>133,779</b>	<b>126,621</b>
<b>Creditors: amounts falling due after more than one year</b>	13	<u>(92,164)</u>	<u>(83,187)</u>
<b>Net assets</b>		<u><u>41,615</u></u>	<u><u>43,434</u></u>
<b>Capital and reserves</b>			
Called-up share capital	15	45,999	45,999
Retained deficit		(4,384)	(2,565)
<b>Total equity</b>		<u><u>41,615</u></u>	<u><u>43,434</u></u>

The financial statements on pages 11 to 23 were approved by the directors and authorised for issue on 30 May 2018, and are signed on their behalf by:



P Symes  
 Director

Company Registration Number: 08780064

## Statement of changes in equity

For the year ended 31 August 2017

	Called up share capital	Retained earnings	Total equity
	£'000	£'000	£'000
At 1 September 2015	45,999	(1,463)	44,536
Loss for the financial year	-	(1,102)	(1,102)
Total comprehensive expense for the financial year	-	(1,102)	(1,102)
At 31 August 2016	45,999	(2,565)	43,434
Loss for the financial year	-	(1,819)	(1,819)
Total comprehensive expense for the financial year	-	(1,819)	(1,819)
At 31 August 2017	45,999	(4,384)	41,615

# Notes to the financial statements

## 1 General information

Camelot Midco Limited (“the company”) is a private limited company limited by shares and incorporated in England, United Kingdom under the Companies Act. The address of the registered office, which is also the principal place of business, is given on page 1. The company is an intermediate holding company within a group of companies and the nature of that group’s operations and principal activities are set out in the Strategic report on pages 3 to 4.

## 2 Statement of compliance

These financial statements have been prepared in compliance with United Kingdom Accounting Standards including “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (“FRS 102”) and the Companies Act 2006.

## 3 Summary of significant accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and prior year in these financial statements.

### a) Basis of preparation

These financial statements have been prepared on a going concern basis under the historic cost convention, as modified by the recognition of certain assets and liabilities measured at fair value.

The functional currency of the company is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

Values are presented in thousands of pounds sterling except where the nature of the disclosure or the value disclosed is such that disclosure in pounds sterling is more appropriate.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### b) Going concern

The group containing the company meets its day-to-day working capital requirements for trading purposes through its banking facilities. The company itself does not have access to borrowing facilities but does maintain cash balances which are sufficient to meet its present requirements for working capital. The Directors have prepared both detailed budgets and long term forecasts for the group, taking account of possible changes in trading performance. After making enquiries, the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and to meet long term liabilities as they fall due. The company therefore continues to adopt the going concern basis in preparing its financial statements.

**c) Consolidated financial statements**

The company is a wholly owned subsidiary of Camelot Topco Limited. It is included in the consolidated financial statements prepared by that company which are publically available. Therefore, by virtue of section 400 of the Companies Act 2006, the company is exempt from the requirement to prepare consolidated financial statements.

These financial statements are therefore for the company only.

**d) Interest**

Interest income is recognised in the period in which it is earned using the effective interest rate method.

**e) Dividends**

Dividend income is recognised when the right to receive payment is established.

**f) Borrowing costs**

All borrowing costs are recognised in the income statement in the period in which they are incurred, using the effective interest rate method.

**g) Current tax**

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts to be paid to the tax authorities.

**h) Impairment of non-financial assets**

The company assesses at each reporting date whether an asset may be impaired. If any such indication exists the company estimates recoverable amount of assets. If it is not possible to estimate the recoverable amount of the individual asset, the company estimates, the recoverable amount of the cash generating unit to which the asset belongs. The recoverable amount of an asset or cash generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment in the income statement unless the asset is carried at revalued amount where impairment loss of a revalued asset is a revaluation decrease.

An impairment loss recognised for all assets is reversed in a subsequent period if and only if the reasons for impairment loss have ceased to apply.

**i) Investments**

Investments in a subsidiary company are valued at cost less accumulated provision for permanent impairment.

**j) Cash at bank and in hand**

Cash at bank and in hand includes cash in hand, deposits held at call with banks, other short-term high liquid investments. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

**k) Current 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.

**1) Financial instruments**

The company has chosen to adopt Section 11 and 12 of FRS 102 in full in respect of financial instruments.

Basic financial assets, including amounts owed by group undertakings and cash balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction. Financing transactions are measured at the present value of the future receipts discounted at the market rate of interest and are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the income statement.

Basic financial liabilities including amounts owed to group undertakings and accruals are initially recognised at transaction price, unless the arrangement constitutes a financing transaction. For such transactions the debt instrument is measured at present value of the future receipts discounted at a market rate of interest and subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Financial assets and liabilities are offset and 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.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends and other distributions to the company's shareholders are recognised as a liability in the period in which the dividends and other distributions are approved by the shareholders. Interim dividends are recognised when paid. These amounts are recognised in the statement of changes in equity.

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 income statement. 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.

#### **4 Critical accounting estimates and assumptions**

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. In the opinion of the directors, the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities with the next financial year are described below.

##### **Impairment of non-financial assets**

Where there are indicators of impairment of individual assets, the company performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data for binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected growth rate used for extrapolation purposes.

##### **Taxation**

The company establishes provisions based on reasonable estimates and where relevant 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.

#### **5 Disclosure exemptions**

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with. The company has taken advantage of the following exemptions:

- Under FRS 102 paragraph 1.12(b) from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, Camelot Topco Limited, includes the company's cash flows in its own consolidated financial statements;
- From the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statements of the group in which the company is consolidated; and
- From the key management personnel compensation disclosures required under FRS102 paragraph 33.7, as the information is provided in the consolidated financial statements of the group in which the company is consolidated.

#### **6 Operating loss**

Directors' remuneration and Auditors' remuneration is borne by other group companies.

**7 Particulars of employees**

	2017	2016
	No	No
The average number of persons employed was:	<u>2</u>	<u>2</u>

The aggregate payroll costs of employees were:

	2017	2016
	£'000	£'000
Wages and salaries	244	137
Social security costs	19	12
Other pension costs	1	1
	<u>264</u>	<u>150</u>

**8 Net interest income**

	2017	2016
	£'000	£'000
<b>Interest receivable and similar income:</b>		
On intra group loans and loan notes	9,628	8,530
<b>Interest payable and similar charges:</b>		
On investor loan notes	(7,707)	(7,233)
On intra group loan notes	(1,437)	(1,297)
	<u>484</u>	<u>-</u>

**9 Tax on profit / (loss) on ordinary activities**

(a) Analysis of charge in the year

The tax charge represents

	2017	2016
	£'000	£'000
Current tax:		
United Kingdom corporation tax for the year at 19.58% (2016 - 20%)	1,551	834
Adjustment in respect of prior periods	481	-
Tax on loss on ordinary activities	<u>2,032</u>	<u>834</u>

(b) Reconciliation of tax charge

The tax assessed on the loss on ordinary activities for the year is higher (2016- higher) than the standard rate of corporation tax in the UK of 19.58% (2016 – 20%). The differences are explained below:

	2017 £'000	2016 £'000
Profit/(loss) on ordinary activities before taxation	213	(268)
Profit/(loss) on ordinary activities multiplied by rate of tax	42	(54)
Expenses not deductible for tax purposes	1,509	888
Adjustment in respect of prior period	481	-
Tax charge for the year	<u>2,032</u>	<u>834</u>

(c) Tax rate changes

During the year the UK corporation tax rate reduced to 19%, with further decreases to 18% and latterly 17% substantially enacted with effect from 1 April 2020.

**10 Investments**

	£'000
Cost and net book value	
At 31 August 2016 and 31 August 2017	<u>39,499</u>

Investments are the directly held subsidiary undertakings detailed in note 16.

**11 Debtors**

	2017 £'000	2016 £'000
Amounts owed by group undertakings	2,044	1,066
Amounts falling due after more than one year:		
Amounts owed by group undertakings – loan notes	27,866	25,104
Amounts owed by group undertakings – loans	68,904	61,464
	<u>98,814</u>	<u>87,634</u>

The intra group loans and loan notes bear interest at 11%, compounded annually on 31 August and the principal plus interest is repayable on 30 September 2021. Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

**12 Creditors: amounts falling due within one year**

	2017 £'000	2016 £'000
Amounts owed to group undertakings	2,963	2,797
Corporation tax	1,551	834
Accruals	37	-
	<u>4,551</u>	<u>3,631</u>

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

**13 Creditors: amounts falling after more than one year**

	2017 £'000	2016 £'000
Amounts falling due between one and five years		
Investor loan notes including accrued interest	77,670	-
Owed to group undertakings – loan notes	14,494	-
Amounts falling due after more than five years:		
Investor loan notes including accrued interest	-	70,162
Owed to group undertakings – loan notes	-	13,025
	<u>92,164</u>	<u>83,187</u>

The investor loan notes, intra group loans and loan notes bear interest at 11%, compounded annually on 31 August and the principal plus interest is repayable on 30 September 2021.

**14 Related party transactions**

As a wholly-owned subsidiary of Camelot Topco Limited, the company is exempt from the requirement to disclose transactions with other members of the group.

**15 Called-up share capital and reserves**

Allotted, called-up and fully paid:

	2017		2016	
	No	£'000	No	£'000
Ordinary shares of £1 each	<u>45,999,330</u>	<u>45,999</u>	<u>45,999,330</u>	<u>45,999</u>

The ordinary shares are not redeemable, have voting rights of one vote per share and are all equally entitled to dividends and any distribution of capital. All shares are classified as equity.

The retained earnings reserve represents the cumulative profits and losses, net of dividends paid and other adjustments.

16 List of subsidiary undertakings

Subsidiary undertakings	Registered Office	Nature of Business	Interest
<b><u>Direct shareholdings</u></b>			
Camelot Interco Limited	i.	Intermediate holding company	100% ordinary shares
CEG Digital Limited	i.	Online and blended learning courses	100% ordinary shares
<b><u>Indirect shareholdings</u></b>			
CEG Falmouth Limited	i.	Online and blended learning courses	100% ordinary shares
CEG Online Limited	i.	Online and blended learning courses	100% ordinary shares
Southampton Global Limited	i.	Online and blended learning courses	100% ordinary shares
Queen Mary Digital Limited	i.	Online and blended learning courses	100% ordinary shares
Camelot Holdco Limited	i.	Intermediate holding company	100% ordinary shares
Camelot Bidco Limited	i.	Intermediate holding company	100% ordinary shares
Cambridge Education Group Limited	i.	Intermediate holding company	100% ordinary shares
CEG Properties Limited	i.	Holding of assets for use by other group companies	100% ordinary shares
CEG Administrative Services Limited	i.	Provision of administrative services to group companies	100% ordinary shares
CEG Colleges Limited	i.	Pre-University study programmes	100% ordinary shares
Cambridge Arts & Sciences Limited	i.	Pre-University study programmes	100% ordinary shares
CATS Canterbury Limited	i.	Pre-University study programmes	100% ordinary shares
CATS College London Limited	i.	Pre-University study programmes	100% ordinary shares
Stafford House Companies Limited	i.	Intermediate holding company	100% ordinary shares
Stafford House School of English Limited	i.	Year round English language programmes	100% ordinary shares
Stafford House Study Holidays Limited	i.	Summer English language programmes	100% ordinary shares
CEG UFP Limited	i.	On-site university foundation courses	100% ordinary shares
CEG UCLAN Foundation Campus Limited	i.	On-site university foundation courses	100% ordinary shares
Coventry Foundation Campus Limited	i.	On-site university foundation courses	100% ordinary shares
CEG FoundationCampus Sunderland Limited	i.	On-site university foundation courses	100% ordinary shares
London South Bank FoundationCampus Limited	i.	On-site university foundation courses	100% ordinary shares

<b>Subsidiary undertakings</b>	<b>Registered Office</b>	<b>Nature of Business</b>	<b>Interest</b>
Foundation Campus London Limited	i.	On-site university foundation courses	100% ordinary shares
OnCampus Hull Limited	i.	On-site university foundation courses	100% ordinary shares
OnCampus Reading Limited	i.	On-site university foundation courses	100% ordinary shares
CATS Retail Limited	i.	Dormant	100% ordinary shares
Cambridge School of Art & Design Limited	i.	Dormant	100% ordinary shares
Cambridge School of Visual and Performing Arts Limited	i.	Dormant	100% ordinary shares
Study Holidays Limited	i.	Dormant	100% ordinary shares
CEG Dormant 1 Limited	i.	Dormant	100% ordinary shares
CEG Dormant 2 Limited	i.	Dormant	100% ordinary shares
Amsterdam FoundationCampusB.V.	ii.	On-site university foundation courses	100% ordinary shares
ONCAMPUS Lund Sweden AB	iii.	On-site university foundation courses	100% ordinary shares
Cambridge Education Group Holdings Inc	iv.	Intermediate holding company & on-site university foundation courses	100% ordinary shares
CATS Academy Boston, Inc	iv.	Pre-University study programmes	100% ordinary shares
ONCampus Boston, Inc	iv.	On-site university foundation courses	100% ordinary shares
OnCampus SUNY Inc	iv.	Year round English language programmes	100% ordinary shares
Academy of English Boston, Inc	v.	Year round English language programmes	100% ordinary shares
Intrax English Academies LLC	vi.	Year round English language programmes	100% ordinary shares
CEG Holding Canada Inc	i.	Intermediate holding company	100% ordinary shares
976821 Ontario Inc.	vii.	Year round English language programmes	100% ordinary shares
744648 Alberta Inc.	viii.	Year round English language programmes	100% ordinary shares
Cambridge Education Group Hong Kong Limited	ix.	Provision of administrative services for group companies	100% ordinary shares
Cambridge Education Group Consulting (Shanghai) Limited ¶	x.	Provision of administrative services for group companies	100% ordinary shares

- i Kett House, Station Road, Cambridge, CB1 2JH
- ii Jachthavenweg 109H, 1081 KM Amsterdam, Netherlands
- iii Östra Vallgatan 14, 223 61 Lund, Sweden
- iv 2711 Centerville Road Suite 400, Wilmington, DE 19801, United States of America
- v 84 State Street, Boston, MA 02109, United States of America
- vi 600 California Street 10<sup>th</sup> Floor, San Francisco, CA 94108, United States of America
- vii 4400-40 King Street West, Toronto, Ontario, M5H 3Y4, Canada
- viii 1900,520-3<sup>rd</sup> Avenue SW, Calgary, Alberta, T2P 0R3, Canada
- ix Suite 2611, Office Tower Langham Place, 8 Argyle Street, Mong Kok, Hong Kong
- x Room 408, Building 2, NO. 215 Yaohua Road, China (Shanghai) Pilot Free Trade Zone, Shanghai, People's Republic of China

## **17 Ultimate controlling party**

The immediate and ultimate parent company is Camelot Topco Limited.

Camelot Topco Limited is the parent undertaking of the smallest and largest group which prepares publicly available consolidated financial statements that incorporate the results of the company and its subsidiaries. Copies of the consolidated financial statements may be obtained from the address given on page 1.

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.