Cambridge
Education Group

Financial statements Cambridge Arts & Sciences Limited

For the Year Ended 31 August 2015

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COMPANIES HOUSE

Company No. 3454690

Company information

Company registration number	3454690
Registered office	Kett House Station Road CAMBRIDGE CB1 2JH
Directors	F Brownlee H Shah M Stanton
Secretary	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 year was the provision of long term academic educational programmes.

The company is part of Cambridge Education Group (CEG) 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.

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;
- 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 profit for the year, after taxation, amounted to £3,644,357 (2014 - £2,682,572). No dividend has been paid during the year (2014 - £4.6m).

During 2014/15 we have continued to make significant investments to support future growth, opening our new CATS Cambridge campus.

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.

Future developments

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

Financial key performance indicators

The Board and management use the following Key Performance Indicators (KPIs) to monitor the success of the business:

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

During the year to 31 August 2015 company showed the following results:

- turnover continues to grow and was 5.7% higher than 2014.
- operating margins improved from 14.9% to 15.9%, after a decrease in the prior period.
- turnover per employee continued to increase from £77,956 to £85,610.
- operating profit per employee improved from £11,632 to £13,614, after a decrease in the prior year.

Principal risks and uncertainties

In common with other businesses of a similar nature, the company 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;
- Significant disruption in the trading ability of the company due to the potential effect of global disasters;

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 company'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 company exposure to interest rate fluctuations on its borrowing is managed by the use of interest-rate swap arrangements on a group wide basis. The company has no external borrowings.

Liquidity risk
The company 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 currency risk
The company 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.

Any exposure to foreign currency risk is naturally hedged on a group basis with future development plans.

Credit risk
The company'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.

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

H Shah

Director

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 profit for the year, after taxation, amounted to £3,644,357 (2014 - £2,682,572). No dividend has been paid during the year (2014 - £4.6m).

Directors

The directors who served the company during the year were as follows:

F Brownlee	
J Phillips	resigned 31 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 this Report of the Directors is approved has confirmed that:

- so far as that director is 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 as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Grant Thornton UK 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.

BY ORDER OF THE BOARD

H Shah

Director

23 May 2016

Grant Thornton

Independent auditor's report to the members of Cambridge Arts & Sciences Limited

We have audited the financial statements of Cambridge Arts & Sciences Limited for the year ended 31 August 2015 which comprise the principal 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 6, 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 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.

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 Cambridge Arts & Sciences 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.

Grant Thornton UK LLP

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

Cambridge

26 May 2016

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable UK accounting standards.

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

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 intermediate parent company, Cambridge Education Group Limited, publishes a consolidated cash flow statement.

Turnover

The revenue shown in the profit and loss account represents amounts receivable in respect of education services provided during the year.

Revenue arising during the year under review which relates to services that will not be supplied until a future accounting period is deferred in full pending delivery of these services.

Fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold Property	- 25% straight line
Fixtures, Fittings and Computer Equipment	- 15-25% straight line
Motor Vehicles	- 25% straight line

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company makes payments, by way of defined contributions, to the personal pension plans of staff members. The pension charge represents the aggregate amount payable by the company to those plans in respect of the year.

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.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate filing on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

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

	Note	2015 £	2014 £
Turnover	1	**23,970,673**	22,685,219
Cost of sales		**10,358,029**	9,625,323
Gross profit		**13,612,644**	13,059,896
Other operating charges	2	**9,800,577**	9,675,009
Operating profit	3	**3,812,067**	3,384,887
Interest receivable	5	**852,862**	367,628
Profit on ordinary activities before taxation		**4,664,929**	3,752,515
Tax on profit on ordinary activities	6	**1,020,572**	1,069,943
Profit for the financial year	16	**3,644,357**	2,682,572

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.

Balance sheet

	Note	2015 £	2014 £
Fixed assets			
Tangible assets	8	**4,304,666**	1,416,120
Current assets			
Debtors: amounts falling due within one year	9	**17,380,122**	10,265,713
Debtors: amounts falling due after more than one year		**9,516,874**	8,670,080
Cash at bank and in hand		**357,395**	3,283,791
		27,254,391	22,219,584
Creditors: amounts falling due within one year	11	**24,536,816**	20,257,820
Net current assets		**2,717,575**	1,961,764
Total assets less current liabilities		**7,022,241**	3,377,884
Capital and reserves			
Called-up share capital	15	**2**	2
Profit and loss account	16	**7,022,239**	3,377,882
Shareholders' funds	17	**7,022,241**	3,377,884

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

Director

Company Registration Number: 3454690

Notes to the financial statements

1 Turnover

The turnover and profit before tax are attributable to the principal activity of the company. An analysis of turnover is given below:

	2015	2014
	£	£
United Kingdom	**23,970,673**	22,685,219

2 Other operating charges

	2015	2014
	£	£
Administrative expenses	**9,800,577**	9,675,009

3 Operating profit

Operating profit is stated after charging:

	2015	2014
	£	£
Depreciation of owned fixed assets	**936,107**	701,414
Auditor's remuneration:		
Audit fees	**7,600**	12,504
Operating lease costs – land and buildings	**3,116,167**	2,784,917

Directors' remuneration is borne by other group companies.

4 Directors and employees

The average number of staff employed by the company during the financial year amounted to:

	2015	2014
	No	No
Teaching and administration	**280**	291

The aggregate payroll costs of the above were:

	2015	2014
	£	£
Wages and salaries	**5,594,231**	5,972,473
Social security costs	**517,156**	492,135
Other pension costs	**38,339**	39,882
	6,149,726	6,504,490

5 Interest receivable

	2015	2014
	£	£
Interest receivable on group loans	**852,862**	367,628

6 Taxation on ordinary activities

(a) Analysis of charge in the year

	2015	2014
	£	£
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 20.58% (2014 – 22.16%)	**1,034,368**	891,119
(Over)/under provision in prior year	**(1,704)**	151,553
Total current tax	**1,032,664**	1,042,672
Deferred tax:		
Origination and reversal of timing differences	**(12,092)**	21,301
Adjustments in respect of prior periods	**-**	5,970
Tax on profit on ordinary activities	**1,020,572**	1,069,943

6 Taxation on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 20.58% (2014 – 22.16%).

	2015	2014
	£	£
Profit on ordinary activities before taxation	**4,664,929**	3,752,515
Profit on ordinary activities by rate of tax	**960,043**	831,557
Expenses not deductible for tax purposes	**62,273**	45,625
Fixed asset differences	**18,523**	15,513
Capital allowances for period in excess of depreciation	**32,783**	(9,198)
Adjustments to tax charge in respect of previous periods	**(1,704)**	151,553
Income not taxable for tax purposes	**-**	(41)
Other short term timing differences	**(39,254)**	7,663
Total current tax (note 6(a))	**1,032,664**	1,042,672

7 Dividends

	2015	2014
	£	£
Ordinary shares of £1 each		
Interim dividend paid	**-**	4,600,000

8 Tangible fixed assets

	Leasehold Property	Fixtures & Fittings	Computer Equipment	Motor Vehicles	Total
	£	£	£	£	£
Cost					
At 1 September 2014	158,898	2,713,403	1,406,318	40,899	4,319,518
Additions	1,679,376	1,486,562	658,715	-	3,824,653
At 31 August 2015	1,838,274	4,199,965	2,065,033	40,899	8,144,171
Depreciation					
At 1 September 2014	158,406	1,598,999	1,109,860	36,133	2,903,398
Charge for the year	122,413	656,299	153,708	3,687	936,107
At 31 August 2015	280,819	2,255,298	1,263,568	39,820	3,839,505
Net book value					
At 31 August 2015	**1,557,455**	**1,944,667**	**801,465**	**1,079**	**4,304,666**
At 31 August 2014	492	1,114,404	296,458	4,766	1,416,120

9 Debtors

Amounts falling within one year	2015	2014
	£	£
Trade debtors	2,478,611	-
Amounts owed by group undertakings	14,058,156	9,327,892
Prepayments and accrued income	689,975	796,716
Other debtors	183	-
Deferred taxation (note 10)	153,197	141,105
	17,380,122	10,265,713

Amounts falling due after more than one year	2015	2014
	£	£
Amounts owed by group undertakings	9,516,874	8,670,080

10 Deferred taxation

The deferred tax included in the Balance sheet is as follows:

	2015	2014
	£	£
Included in debtors (note 9)	153,197	141,105

The movement in the deferred taxation account during the year was:

	2015	2014
	£	£
Balance brought forward	141,105	168,376
Profit and loss account movement arising during the year	12,092	(27,271)
Balance carried forward	153,197	141,105

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	2015	2014
	£	£
Excess of depreciation over taxation allowances	142,665	112,558
Other short term timing differences	10,532	28,547
	153,197	141,105

11 Creditors: amounts falling due within one year

	2015	2014
	£	£
Trade creditors	1,440,445	371,728
Amounts owed to group undertakings	1,415,012	2,844,577
Corporation tax	1,034,368	891,119
Other taxation and social security	12,965	20,384
Other creditors	10,320,856	6,926,367
Accruals and deferred income	10,313,170	9,203,645
	24,536,816	20,257,820

12 Leasing commitments

At 31 August 2015 the company had annual commitments under non-cancellable operating leases as set out below.

	2015 Land and buildings £	2014 Land and buildings £
Operating leases which expire:		
Within 1 year	**296,932**	1,299,926
Within 2 to 5 years	**153,478**	170,200
After more than 5 years	**1,025,584**	995,584
	1,475,994	2,465,710

13 Contingent liabilities

The company has entered into a cross guarantee with the syndicated banks of Camelot Bidco Limited, the immediate parent undertaking of Cambridge Education Group Limited being its intermediate parent company. At 31 August 2015 these amounted to £90.3m (2014 - £84.0m).

14 Related party transactions

As a wholly owned subsidiary of Cambridge Education Group Limited, the company is exempt from the requirements of FRS 8 to disclose transactions with other members of the group.

15 Share capital

Authorised share capital:

	2015 £	2014 £
1,000 Ordinary shares of £1 each	**1,000**	1,000

Allotted, called up and fully paid:

	2015 No	**2015 £**	2014 No	2014 £
2 Ordinary shares of £1 each	2	2	2	2

16 Profit and loss account

	2015 £	2014 £
Balance brought forward	**3,377,882**	5,295,310
Profit for the financial year	**3,644,357**	2,682,572
Dividends	**-**	(4,600,000)
Balance carried forward	**7,022,239**	3,377,882

17 Reconciliation of movements in shareholders' funds

	2015	2014
	£	£
Profit for the financial year	**3,644,357**	2,682,572
Dividends	**-**	(4,600,000)
Opening shareholders' funds	**3,377,884**	5,295,312
Closing shareholders' funds	**7,022,241**	3,377,884

18 Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £nil (2013 - £nil).

19 Ultimate controlling party

The immediate parent company is CEG Colleges Limited, a company incorporated in England and Wales.

The ultimate parent 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 the largest group which prepares publicly available consolidated financial statements. Cambridge Education Group Limited is the parent undertaking of the smallest group which prepares publically available consolidated financial statements. Copies of the consolidated financial statements may be obtained from Companies House.