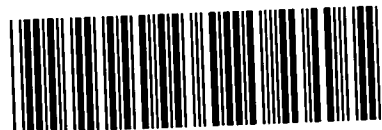


Cambridge
Education Group

Annual report and financial statements Cambridge Arts & Sciences Limited

For the year ended 31 August 2018



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17/05/2019
COMPANIES HOUSE

Company No. 03454690

Officers and professional advisers

Company registration number	03454690
Registered office	Kett House Station Road Cambridge CB1 2JH
Directors	M Ioakimides P Symes B Webb S White
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Maurice Wilkes Building St John's Innovation Park Cambridge CB4 0DS

Contents

Strategic report	3-5
Directors' report	6-7
Independent auditors' report	8-10
Income statement	11
Statement of comprehensive income	11
Statement of financial position	12
Statement of changes in equity	13
Notes to the financial statements	14-23

Strategic report

The directors present their strategic report on the company for the year ended 31 August 2018.

Principal activities

The principal activity of the company during the year was the provision of high school programmes as part of Cambridge Education Group ("CEG").

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, USA, continental Europe and China.

The international education sector remains an attractive and growing market with demographic trends driving an increased demand for Western education from the emerging markets. A growing middle class in the emerging markets with rising disposable incomes and lack of university places are the drivers for future market growth.

The underlying principles across the group 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, Boston and Shanghai; and,
- exceptional pastoral care ensures that our students' educational experience is also safe, healthy and enjoyable.

Business review

The company saw an increase in student numbers and revenue for the year increased by 6.5% driven by an improved offering in student accommodation, favourable pricing and higher ancillary revenue.

In the opinion of the directors the state of the company's affairs at 31 August 2018 was satisfactory and they hope to continue to see operating profitability in future periods.

Future developments

We continue in 2018/19 to look for ways to develop our offering, especially in the area of quality student accommodation and to 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:

- revenue growth
- operating profit before exceptional costs, depreciation and amortisation as a percentage of revenue
- revenue per employee
- recurring operating profit per employee

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

During the year:

- revenue increased and was £1,572,000 above 2017;
- operating margins before depreciation decreased to 8.1% from 9.3%;
- revenue per employee increased by 10.3% from £81,900 to £90,300
- operating profit before depreciation per employee decreased 5% from £7,700 to £7,300

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 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 to one-off global disasters.

Policies are in place to monitor and manage each of these 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, 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, foreign exchange risk, price risk and credit risk. The directors review and agree policies for managing each of these risks and, as they relate to the company, they are summarised below.

Interest rate risk

The parent group finances its operations through a mixture of equity, syndicated bank borrowings, loan notes and intra group loans. The parent group's exposure to interest rate fluctuations on its borrowing is managed by the use of interest-rate swap arrangements.

Liquidity risk

The group seeks to manage financial risk by preparing detailed cash flow forecasts and ensuring sufficient liquidity is available to meet foreseeable needs. Short-term flexibility is achieved by a group backed bank lending facility.

Foreign exchange risk

The company operates in the United Kingdom and prices its services in pounds sterling and so is exposed to foreign currency risk because international students may experience currency exposures which could affect competitive advantage.

Price risk

The group seeks to manage price risk by setting price lists for all products and agreeing policies and approval procedures for discounts and other price incentives such as bursaries.

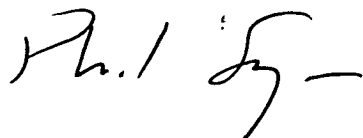
The accompanying accounting policies and notes form part of these financial statements.

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:

A handwritten signature in black ink, appearing to read 'P. Symes' followed by a stylized flourish.

P Symes
Director

 February 2019

Directors' report

The directors present their report and the audited financial statements of the company for the year ended 31 August 2018.

Results and dividends

The profit for the financial year amounted to £1,274,000 (2017 - £1,187,000). No dividends were paid during the year (2017 - £nil). The directors do not recommend the payment of a final dividend for the year (2017 - none).

Directors

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

M Ioakimides

H Shah

Resigned 29 January 2018

B Webb

S White

P Symes

Appointed 9 April 2018

Disabled employees

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person. Where existing employees become disabled, it is the company's policy whenever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Employee involvement

The company keeps employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the group.

Statement of directors' responsibilities

The directors are responsible for preparing the 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 accompanying accounting policies and notes form part of these financial statements.

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

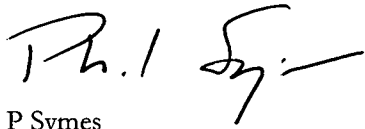
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- 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

25 February 2019

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

Report on the audit of the financial statements

Opinion

In our opinion, Cambridge Arts & Sciences Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2018 and of its profit 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 2018; the income statement, the statement of comprehensive income, 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.

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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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.

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

Independent auditors' report to the members of Cambridge Arts & Sciences Limited (continued)

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 2018 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 6, 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. 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.

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

Independent auditors' report to the members of Cambridge Arts & Sciences Limited (continued)

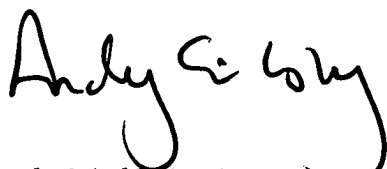
Other required reporting

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 Grimbly (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge
25 February 2019

Income statement

For the year ended 31 August 2018

	Note	2018 £'000	2017 £'000
Revenue	6	25,729	24,157
Cost of sales		(13,007)	(11,383)
Gross profit		12,722	12,774
Administrative expenses		(11,951)	(12,045)
Operating profit	7	771	729
Interest income	9	984	894
Profit before taxation		1,755	1,623
Tax on profit	10	(481)	(436)
Profit for the financial year		1,274	1,187

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

Statement of comprehensive income

For the year ended 31 August 2018

	2018 £'000	2017 £'000
Profit for the financial year	1,274	1,187
Total comprehensive income for the year	1,274	1,187

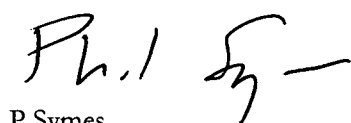
The accompanying accounting policies and notes form part of these financial statements.

Statement of financial position

As at 31 August 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Tangible assets	11	<u>1,248</u>	<u>2,340</u>
Current assets			
Debtors	12	38,593	33,101
Cash at bank and in hand		<u>2,885</u>	<u>1</u>
		41,478	33,102
Creditors: amounts falling due within one year	13	<u>(29,396)</u>	<u>(23,386)</u>
Net current assets		<u>12,082</u>	<u>9,716</u>
Total assets less current liabilities		13,330	12,056
Net assets		<u>13,330</u>	<u>12,056</u>
Capital and reserves			
Called-up share capital	15	-	-
Retained earnings	15	13,330	12,056
Total equity		<u>13,330</u>	<u>12,056</u>

These financial statements on pages 11 to 23 were approved by the directors and authorised for issue on **25** February 2019 and are signed on their behalf by:



P Symes
Director
Company Registration Number: 03454690

Statement of changes in equity

For the year ended 31 August 2018

	Called-up share capital £'000	Retained earnings £'000	Total equity £'000
At 1 September 2016	-	10,869	10,869
Profit for the financial year	-	1,187	1,187
Total comprehensive income for the financial year	-	1,187	1,187
At 31 August 2017	-	12,056	12,056
Profit for the financial year	-	1,274	1,274
Total comprehensive income for the financial year	-	1,274	1,274
At 31 August 2018	-	13,330	13,330

Notes to the financial statements

1 General information

Cambridge Arts & Sciences 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 principal activity of the company is the provision of pre-university study programmes to enable international students to meet the entry requirements for a UK university degree course.

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 of which the company is a part meets its day-to-day working capital requirements through its bank facilities. The directors have prepared both detailed budgets and long term forecasts for the group, taking account of reasonably possible changes in trading performance. After making enquiries, the directors have a reasonable expectation that both the group and company have adequate resources to continue in operational existence for the foreseeable future, within the level of existing facilities 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) Foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transaction. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions are recognised in the income statement.

Monetary assets and liabilities in foreign currencies are translated into the functional currency of pounds sterling at the rates of exchange ruling at the balance sheet date. Gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within net interest income. All other foreign exchange gains and losses are presented in the income statement within administrative expenses.

d) Revenue

Revenue is stated net of VAT (if applicable) and is recognised when the significant risks and rewards are considered to have transferred to the buyer.

Revenue shown in the income statement represents amounts receivable in respect of the provision of educational and tuition services and is recognised as the performance of those services occurs.

Where a contract has only been partially completed at the balance sheet date, revenue represents the fair value of the services provided to date, based on the stage of completion of the contract activity at the balance sheet date. Where payments are received from customers in advance of services provided, those amounts are recorded as deferred income or, if potentially refundable within the terms of the contract, as other creditors, both as part of creditors due within one year.

e) Interest

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

f) Operating leases

Operating leases are arrangements where substantially all of the benefits and risks of ownership remain with the lessor and rentals under such arrangements are charged against profits on a straight line basis over the period of the lease.

Incentives received to enter into an operating lease are credited to the income statement to reduce the lease expense, on a straight-line basis over the whole life of the lease.

g) Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

The company operates a number of country-specific defined contribution plans for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into an arrangement separate from the group. Once the contributions have been paid, the group has no further payment obligations. The contributions are recognised as an expense when they are due. Differences between contributions payable and actually paid are shown as either accruals or prepayments in the balance sheet. The assets of the plan are held separately from the group in independently administered funds.

The company operates a number of annual bonus plans for employees. An expense is recognised in the income statement when the group has a legal or constructive obligation to make payments under the plans as a result of past events and a reliable estimate of the obligation can be made.

h) 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.

i) Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or 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.

j) Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs.

Land and buildings include leasehold schools, colleges, student accommodation and offices. The leasehold buildings are stated at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs, including major inspections, are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the company and the cost can be measured reliably. Repairs, maintenance and minor inspection costs are expensed as incurred.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the profit and loss and included in 'Other operating (losses)/gains'

k) Depreciation and residual values

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
Plant and equipment	15% - 25% straight line
Computers	25% straight line

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

l) 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, including goodwill, is reversed in a subsequent period if and only if the reasons for impairment loss have ceased to apply.

m) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

n) Short-term debtors and creditors

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

o) Financial instruments

The company has chosen to adopt Section 11 and 12 of FRS 102 in full in respect of financial instruments, subject to the disclosure exemptions described in note 5.

Basic financial assets, including trade and other debtors, amounts owed by group undertakings, accrued income and cash and bank 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 trade and other creditor, 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.

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

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. 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 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.

4 Critical accounting estimates and judgements

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 debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the ageing profile of debtors and historical experience. The net carrying amount of the debtors and the associated impairment provision is given in note 12.

Deferred income

Where payments are received or receivable from customers in advance of services provided, those amounts are recorded as deferred income if a binding and enforceable contract exists with the customer at the period end and there is reasonable expectation that those services will be provided and the amounts are not otherwise refundable, were the customer to exercise a right to withdraw.

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.

Management estimation is required to determine the amount of deferred tax assets that is recognised, based upon likely timing and level of future taxable profits together with an assessment of the tax rates that will be applicable in future and the effect of future tax planning strategies.

5 Disclosure exemptions

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the company's shareholders. The company has taken advantage of the following exemptions:

- From preparing a statement of cash flows, on the basis that it is a qualifying entity and a consolidated statement of cash flows is prepared by Camelot Topco Limited which consolidates the company's cash flows;
- 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;
- From the key management personnel compensation disclosures required under FRS102 paragraph 33.7, as the information is provided in the consolidated financial statement of the group in which the company is consolidated.

6 Revenue

Revenue and profit before taxation are attributable to the principal activity of the company and all revenues arise within the United Kingdom.

7 Operating profit

Operating profit is stated after charging:

	2018 £'000	2017 £'000
Depreciation of tangible assets	1,304	1,528
Impairment of trade debtors	256	259
Auditors' fees	15	16
Operating lease costs	4,488	4,076

Directors' remuneration is borne by other group companies and it is deemed not possible to allocate a charge from other group companies.

8 Particulars of employees

	2018 No.	2017 No.
The average number of persons employed was:	285	295

The aggregate payroll costs of employees were:

	2018 £'000	2017 £'000
Wages and salaries	6,822	6,495
Social security costs	631	572
Other pension costs	65	44
	7,518	7,111

9 Interest income

	2018 £'000	2017 £'000
Interest receivable and similar income:		
On intra-group loans	984	894

10 Taxation on profit

(a) Tax expense included in the income statement

	2018 £'000	2017 £'000
Current tax:		
UK Corporation tax based on the profit for the year at 19% (2017 – 19.58%)	517	510
Adjustment in respect of prior periods	106	(73)
Total current tax	623	437
Deferred tax:		
Origination and reversal of timing differences	(74)	(1)
Adjustments in respect of prior periods	(68)	-
Total deferred tax (note 12)	(142)	(1)
Tax on profit	481	436

(b) Factors affecting tax charge

The tax assessed on the profit before taxation for the year is higher (2017-higher) than the standard rate of corporation tax in the UK of 19% (2017 – 19.58%).

	2018 £'000	2017 £'000
Profit before taxation	1,755	1,623
Profit before taxation multiplied by rate of tax	334	318
Expenses not deductible for tax purposes	106	4
Depreciation for the year in excess of capital allowance	5	84
Adjustment in respect of prior periods	38	24
Other	(2)	6
Tax on profit	481	436

(c) Tax rate changes

Deferred tax balances at 31 August 2018 and 31 August 2017 are measured at the revised rate of 17%. In April 2016 the UK corporation tax rate reduced to 19%, with a further decrease to 17% being later substantively enacted, with effect from 1 April 2020.

11 Tangible fixed assets

	Leasehold property £'000	Plant and equipment £'000	Computers £'000	Total £'000
Cost				
At 1 September 2017	2,808	4,372	2,165	9,345
Additions	75	114	23	212
At 31 August 2018	<u>2,883</u>	<u>4,486</u>	<u>2,188</u>	<u>9,557</u>
Accumulated depreciation:				
At 1 September 2017	1,511	3,685	1,809	7,005
Charge for the year	681	433	190	1,304
At 31 August 2018	<u>2,192</u>	<u>4,118</u>	<u>1,999</u>	<u>8,309</u>
Net book value				
At 31 August 2018	<u>691</u>	<u>368</u>	<u>189</u>	<u>1,248</u>
At 31 August 2017	<u>1,297</u>	<u>687</u>	<u>356</u>	<u>2,340</u>

12 Debtors

	2018 £'000	2017 £'000
Trade debtors	147	283
Amounts owed by group undertakings	37,028	31,349
Other debtors	-	5
Deferred taxation	363	221
Prepayments and accrued income	<u>1,055</u>	<u>1,243</u>
	<u>38,593</u>	<u>33,101</u>

Trade debtors are stated after provisions for impairment of £217,000 (2017 - £259,000).

Amounts owed by group undertakings include loans of £21,329,000 (2017 - £20,345,000). The effective interest rate on these loans was 4.8% (2017 - 4.6%). All other group balances are interest-free. All group balances are unsecured, have no fixed date of repayment and are repayable on demand.

The deferred tax asset is the tax effect of timing differences in respect of:

	2018 £'000	2017 £'000
Excess of depreciation over taxation allowances	305	212
Other short term timing differences	<u>58</u>	<u>9</u>
	<u>363</u>	<u>221</u>

During the year £142,000 of deferred tax was credited to the income statement (2017 - £1,000 credit) and it is anticipated that a credit of approximately £128,000 will be made in the next financial year.

13 Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Bank loans and overdrafts	-	2,114
Trade creditors	450	925
Amounts owed to group undertakings	10,495	3,920
Other taxation and social security	81	7
Other creditors	3,800	3,483
Accruals and deferred income	14,570	12,937
	<u>29,396</u>	<u>23,386</u>

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

Other creditors include commissions due, deposits and other amounts refundable to students.

14 Post-employment benefits

The company operates a defined contribution pension arrangement for the benefit of its employees. The amount recognised as an expense for this arrangement is £65,000 (2017 - £44,000).

15 Called up share capital and reserves

Allotted, called up and fully paid:

	2018		2017	
	No.	£	No.	£
Ordinary shares of £1 each	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

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

16 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.

17 Contingent liabilities

The company is a co-guarantor of the syndicated bank loans of an intermediate parent undertaking Camelot Bidco Limited. As at 31st August 2018 these amounted to £79.7m (2017-£90.7m).

18 Capital and other commitments

At 31 August 2018 the company had future minimum lease payments under non-cancellable operating leases as set out below:

	2018 £'000	2017 £'000
Payments due:		
Not later than one year	1,864	1,855
Later than one year and not later than five years	7,992	7,792
Later than five years	39,170	40,065
	<u>49,026</u>	<u>49,712</u>

The company had no other off-balance sheet arrangements and no capital commitments contracted but not provided (2017 – none).

19 Ultimate controlling party

The immediate parent company is CEG Colleges Limited, a company incorporated in the United Kingdom.

The ultimate parent company is Camelot Topco Limited, a company incorporated in the United Kingdom with a registered office at the same address as that of the company, as shown on page 1.

Cambridge Education Group Limited is the parent company of the smallest group which prepares publicly available consolidated financial statements that incorporate the results of the company. Copies of those consolidated financial statements may be obtained from the address given on page 1.

Camelot Topco Limited is the parent undertaking of the largest group which prepares publicly available consolidated financial statements that incorporate the results of the company. 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.