



Cambridge
Education Group

Financial statements Cambridge Education Group Limited

For the Year Ended 31 August 2015

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COMPANIES HOUSE

Company No. 06020370

Officers and professional advisers

Company registration number

06020370

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

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

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

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

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

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

Business review

The results for the period and financial position of the group are as shown in the financial statements. In the opinion of the directors the state of the group's affairs at 31 August 2015 was satisfactory and they hope to continue to see operating profitability in future periods.

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

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

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

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

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

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

Operating profit before exceptional costs, depreciation and amortisation as a percentage of turnover has decreased to 13.1% (2014 - 13.4%) due to the additional introduction of new campuses and investment to support future growth, which are still maturing to levels of profitability. These overseas start-up losses have also impacted our effective tax rate, as no deferred tax asset has been recognised whilst the new campuses are in transition to profitability.

Underlying EBITDA (earnings before interest tax depreciation and amortisation) before losses in the overseas companies and other one off operational items rose to £17.5m from £16.8m, an increase of 4.3%.

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

Future developments

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

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

Financial key performance indicators

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

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

During the year:

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

Principal risks and uncertainties

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

- Impact of changes in immigration policies and visa application processes;
- Global reduction in international movement;
- Adverse movements in interest and exchange rates;
- Significant disruption in the trading ability of the group due one-off 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 group's operations, and finance for capital investment.

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

Interest rate risk

The parent group finances its operations through a mixture of equity, syndicated bank borrowings, loan notes and intra group loans. The parent group 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 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 exchange risk

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

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

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

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

Credit risk

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

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

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

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



H Shah

CFO

22 December 2015

Report of the directors

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

Results and dividends

The profit for the year, after taxation, amounted to £5,839,764 (2014 – loss £11,233,487). No dividend was paid during the year (2014 – £nil).

Directors

The directors who served the company during the year and changes since year end were as follows:

F Brownlee	
J Philips	resigned 31 October 2014
H Shah	appointed 22 October 2014
M Stanton	

Disabled employees

The group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the group'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 group keeps employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the Group.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 the group and of the profit or loss of the group for that year. In preparing these 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 group will continue in business.

Directors' responsibilities statement (continued)

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of the group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditor

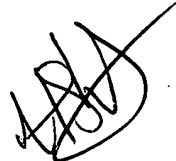
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware there is no relevant audit information of which the group'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 group'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

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

H Shah

CFO

22 December 2015



Independent auditors' report to the members of Cambridge Education Group Limited

We have audited the financial statements of Cambridge Education Group Limited for the year ended 31 August 2015 which comprise the principal accounting policies, the group profit and loss account, the group statement of total recognised gains and losses, the group note of historical cost profits and losses, the group and parent company balance sheets, the group cash flow statement 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 Part 3 of Chapter 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 pages 7 and 8, 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 group's and the parent company's affairs as at 31 August 2015 and of the group's 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 auditors' report to the members of Cambridge Education Group 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 Auditor
Chartered Accountants

Cambridge

23 December 2015

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets.

The directors have prepared both detailed budgets and long term forecasts that show the company has adequate resources to continue in operational existence for the foreseeable future and meet long term liabilities as they fall due. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off over twenty years from the date of acquisition. The results of companies acquired or disposed of are included in the profit and loss account after or up to the date that control passes respectively. As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006.

Turnover

The turnover shown in the profit and loss account represents amounts receivable in respect of education services provided by the group 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.

Goodwill

Consolidated goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. Purchased goodwill is the difference between the fair value of the purchase consideration and the fair value of the group's share of the identifiable assets and liabilities acquired.

Goodwill is reviewed for impairment at the end of the first full financial year following each acquisition and subsequently when necessary if circumstances indicate that its carrying value may not be recoverable. It is amortised to the profit and loss account over its estimated economic life.

Amortisation

Amortisation 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.

Consolidated goodwill amortisation	-	20 years
Purchased goodwill amortisation	-	10 years

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	- 10% - 25% straight line
Fixtures & Fittings	- 15% - 25% straight line
Motor Vehicles	- 25% straight line

No depreciation is provided on freehold properties as these assets are maintained in a continual state of sound repair and are subject to regular valuation. Accordingly, the directors consider the useful economic lives of these assets are so long and the residual values are so high that any depreciation charges would be insignificant.

Investments

Investments are valued at cost less provision for any permanent impairment.

Investments in associates are recognised initially in the consolidated balance sheet at the transaction price and subsequently adjusted to reflect the group's share of profit or loss of the associate, less any impairment. Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets and liabilities of the associate is recognised at the date of acquisition and although treated as goodwill, is presented as part of the investment in the associate. Amortisation is charged so as to allocate the cost of goodwill over its estimated useful life, using the straight-line method.

Investments in associates are accounted for at cost less impairment in the individual financial statements.

Operating leases

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.

Finance leases and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the Company. Obligations under such agreements are included in creditors net of finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

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 of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets are reported in the statement of total recognised gains and losses. All other exchange differences are included in the profit and loss account.

Pensions

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.

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.

Group profit and loss account

	Note	2015 £	2014 £
Group turnover	1	97,540,034	90,580,291
Cost of sales		(47,903,327)	(44,263,451)
Gross profit		49,636,707	46,316,840
Administrative expenses		(41,039,545)	(37,585,114)
Group operating profit	4	8,597,162	8,731,726
Share of operating profit of associate		69,123	-
Operating profit including associate		8,666,285	8,731,726
Analysis of group operating profit:			
Group underlying EBITDA		17,481,188	16,754,754
Overseas operational losses and one off costs		(4,667,130)	(4,596,781)
Profit before exceptional credit, depreciation and amortisation	2	12,814,058	12,157,973
Exceptional credit (in other operating charges)	3	-	68,922
Depreciation		(3,529,567)	(2,843,921)
Amortisation		(687,329)	(651,248)
Operating profit	4	8,597,162	8,731,726
Interest receivable		-	15,516
Interest payable and similar charges	7	(116,253)	(17,176,480)
Profit/(loss) on ordinary activities before taxation		8,550,032	(8,429,238)
Tax on profit/(loss) on ordinary activities	8	(2,710,268)	(2,804,249)
Profit/(loss) for the financial year		5,839,764	(11,233,487)

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

The company has taken advantage of section 408 of the Companies Act 2006 not to publish its own profit and loss Account.

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

Statement of total recognised gains and losses

	Note	2015 £	2014 £
Profit / (loss) for the financial year			
Group		5,770,641	(11,233,487)
Associate		69,123	-
Unrealised surplus on revaluation of tangible fixed assets		-	535,000
Currency differences on foreign currency net investments	24	(278,330)	(187,355)
Total recognised gains and losses relating to the year		<u>5,561,434</u>	<u>(10,885,842)</u>

Note of historical cost profits and losses

	2015 £	2014 £
Reported profit/(loss) on ordinary activities before taxation	8,550,032	(8,429,238)
Revaluation impairment reversal	-	(68,922)
Historical cost profit/ (loss) on ordinary activities before taxation	<u>8,550,032</u>	<u>(8,498,160)</u>
Historical profit/(loss) for the year after taxation	<u>5,839,764</u>	<u>(11,302,409)</u>

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

Group balance sheet

	Note	2015 £	2014 £
Fixed assets			
Intangible assets	10	8,500,227	9,072,650
Tangible assets	11	25,002,449	21,546,295
Investment in associate	13	3,124,759	-
		<u>36,627,435</u>	<u>30,618,945</u>
Current Assets			
Debtors: amounts falling due within one year	14	31,726,323	20,584,828
Cash at bank		26,562,354	15,401,536
		<u>58,288,677</u>	<u>35,986,364</u>
Creditors: amounts falling due within one year	16	83,975,565	61,387,340
Net current liabilities		<u>(25,686,888)</u>	<u>(25,400,976)</u>
Total assets less current liabilities		<u>10,940,547</u>	<u>5,217,969</u>
Creditors: amounts falling due after more than one year	17	4,318,159	4,096,520
Deferred tax	15	-	60,495
		<u>6,622,388</u>	<u>1,060,954</u>
Capital and reserves			
Called-up share capital	22	126,500	126,500
Revaluation reserve	23	860,000	860,000
Profit and loss account	23	6,107,170	267,406
Foreign exchange reserve	23	(471,282)	(192,952)
Shareholders' funds	24	<u>6,622,388</u>	<u>1,060,954</u>

These financial statements were approved by the directors and authorised for issue on 22 December 2015 and are signed on their behalf by:



H Shah

CFO

Company registration number: 06020370

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

Company balance sheet

	Note	2015 £	2014 £
Fixed assets			
Investments	12	<u>8,104,556</u>	<u>8,104,556</u>
Current assets			
Debtors: amounts falling due within one year	14	<u>21,075,053</u>	<u>12,987,577</u>
Cash at bank		<u>-</u>	<u>-</u>
		<u>21,075,053</u>	<u>12,987,577</u>
Creditors: amounts falling due within one year	16	<u>11,499,933</u>	<u>3,519,970</u>
Net current assets		<u>9,575,120</u>	<u>9,467,607</u>
Total assets less current liabilities		<u>17,679,676</u>	<u>17,572,163</u>
Creditors: amounts falling due in more than one year	17	<u>15,649,752</u>	<u>15,068,543</u>
		<u>2,029,924</u>	<u>2,503,620</u>
Capital and reserves			
Called-up share capital	22	<u>126,500</u>	<u>126,500</u>
Profit and loss account	23	<u>1,903,424</u>	<u>2,377,120</u>
Shareholders' funds	24	<u>2,029,924</u>	<u>2,503,620</u>

These financial statements were approved by the directors and authorised for issue on 22 December 2015 and are signed on their behalf by:



H Shah

CFO

Company registration number: 06020370

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

Group cash flow statement

	Note	2015 £	2014 £
Net cash inflow from operating activities	25	19,054,473	18,600,469
Returns on investments and servicing of finance			
Interest received		-	15,516
Interest paid (including settlement 2014 of swap agreement)		(60,477)	(832,213)
Net cash outflow from returns on investments and servicing of finance		(60,477)	(816,697)
Taxation		(1,968,837)	(2,695,686)
Capital expenditure			
Payments to acquire tangible fixed assets		(5,982,847)	(3,273,294)
Proceeds from disposal of tangible fixed assets		6,641	1,010
Net cash outflow from capital expenditure		(5,976,206)	(3,272,284)
Acquisitions			
Acquisition of subsidiary undertaking		(724,662)	(3,134,722)
Cash acquired		-	61,570
Acquisition of associate	13	(3,054,527)	-
Net cash outflow from acquisitions		(3,779,189)	(3,073,152)
Net cash inflow before financing		7,269,764	8,742,650
Financing			
Repayment of borrowing		-	(11,900,000)
Capital elements of finance lease rentals		(12,261)	(4,948)
Capital advances from group companies less capital repayments		8,304,527	-
Payments to group companies		(4,672,497)	(6,186,570)
Net cash outflow from financing		3,619,769	(18,091,518)
Increase/(decrease) in cash	25	10,889,533	(9,348,868)

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

Notes to the financial statements

1 Turnover

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

	2015 £	2014 £
United Kingdom	84,041,614	82,310,180
European Union	1,260,401	929,893
North America	12,238,019	7,340,218
	<u>97,540,034</u>	<u>90,580,291</u>

2 Profit before exceptional credit, depreciation and amortisation

The group monitors the performance of the business by reviewing underlying EBITDA. This is earnings before interest, tax, depreciation and amortisation for its businesses which have been in operation for a period of years. In the first 2-3 years the group expects that schools will make losses until the business reaches a critical mass of students as we invest in their development and therefore they are excluded from this measure. In looking at the underlying performance, costs relating to potential acquisitions and restructuring, which we do not expect to recur, are also excluded so that the Board can monitor improvement of the underlying core business.

	2015 £	2014 £
Group underlying EBITDA	17,481,188	16,754,754
Overseas operational losses	(2,810,969)	(1,705,013)
One off costs	(1,856,161)	(2,891,768)
Profit before exceptional credit, depreciation and amortisation	<u>12,814,058</u>	<u>12,157,973</u>

3 Exceptional credit

	2015 £	2014 £
Revaluation impairment write back	-	68,922
	<u>-</u>	<u>68,922</u>

In December 2013 the Group's freehold properties were revalued. This resulted in a credit of £68,922 to the profit and loss account in relation to properties where the valuation resulted in an increase in value where a previous impairment had been taken to the profit and loss

4 Operating profit

Operating profit is stated after charging/(crediting):

	2015 £	2014 £
Amortisation of goodwill	687,329	651,248
Depreciation of tangible fixed assets		
- owned by the group	3,522,705	2,837,082
- held under finance lease	6,862	6,839
Revaluation of freehold property	-	(68,922)
(Loss) / gain on disposal of fixed assets	(1,342)	371
Auditor's remuneration:		
- Audit fees for the entity	20,000	17,250
- Audit fees for the group	97,900	120,350
- Tax compliance fees	53,700	51,200
- Other services	-	11,502
Operating lease costs:		
- Land and buildings	13,817,702	10,577,811
- Other items	-	11,303
Net (profit) / loss on foreign currency translation	<u>(273,581)</u>	<u>31,504</u>

5 Particulars of employees

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

	2015 No	2014 No
Number of teaching and administrative staff	1,014	916
Number of temporary teaching staff	95	176
	<u>1,109</u>	<u>1,092</u>

In addition to the full-time employees detailed above, approximately 260 (2014 – 326) temporary teaching staff are employed by the group during its summer programmes, taking place in July and August each year. The costs of these teaching staff are included in the analysis of employee costs.

The aggregate payroll costs of the above were:

	2015 £	2014 £
Wages and salaries	31,826,491	28,396,593
Social security costs	2,758,035	2,690,687
Other pension costs	169,416	156,826
	<u>34,753,942</u>	<u>31,224,106</u>

6 Directors

Remuneration in respect of directors was as follows:

	2015 £	2014 £
Emoluments receivable	805,055	595,730
Pension	1,054	4,457
	<u>806,109</u>	<u>600,187</u>

Emoluments of highest paid director:

	2015 £	2014 £
Total emoluments (excluding pension contributions)	<u>353,630</u>	<u>328,323</u>

One director accrued benefits under a defined contribution pension scheme (2014 – one).

7 Interest payable and similar charges

	2015 £	2014 £
Interest and other finance costs payable on bank borrowing	58,002	817,672
Settlement of swap agreements	-	476,393
Discount on deferred consideration	55,776	112,689
Interest on finance leases	2,475	615
Cancellation of intercompany loan	-	15,769,111
Total interest payable	<u>116,253</u>	<u>17,176,480</u>

8 Taxation on ordinary activities

(a) analysis of charge in the year

The tax charge represents

	2015 £	2014 £
Current tax		
United Kingdom corporation tax for the period at 20.58% (2014 – 22.16%)	2,846,966	2,758,342
(Over)/under provision in prior year	36,905	(2,721)
Overseas tax	5,907	486
Total current tax	<u>2,889,778</u>	<u>2,756,107</u>
Deferred tax		
Origination and reversal of timing differences	(179,510)	41,800
Under provision in prior year	-	6,342
Total deferred tax (note 15)	<u>(179,510)</u>	<u>48,142</u>
Tax on profit on ordinary activities	<u>2,710,268</u>	<u>2,804,249</u>

8 Taxation on ordinary activities (continued)

(b) Factors affecting current tax charge

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

	2015 £	2014 £
Profit/(loss) on ordinary activities before taxation	<u>8,550,032</u>	<u>(8,429,238)</u>
Profit/(loss) on ordinary activities by rate of tax	1,759,674	(1,867,919)
Expenses not deductible for tax purposes	308,130	4,022,892
Capital allowances for the period in excess of depreciation	183,028	16,685
Adjustments to tax charge in respect of previous periods	36,905	(2,721)
Other timing differences	(64,774)	57,164
Utilised losses	-	(16,179)
Unrelieved tax losses	666,815	542,652
Overseas tax	-	3,533
Total current tax	<u>2,889,778</u>	<u>2,756,107</u>

9 Profit attributable to members of the parent company

The loss after tax in the accounts of the parent company was £473,696 (2014 – loss £7,621,080).

10 Intangible fixed assets

Group	Purchased goodwill £	Goodwill on consolidation £	Total £
Cost			
At 1 September 2014	1,679,442	10,123,855	11,803,297
Foreign exchange movement	131,958	-	131,958
At 31 August 2015	<u>1,811,400</u>	<u>10,123,855</u>	<u>11,935,255</u>
Amortisation			
At 1 September 2014	217,026	2,513,621	2,730,647
Charge for the year	181,143	506,186	687,329
Foreign exchange movement	17,052	-	17,052
At 31 August 2015	<u>415,221</u>	<u>3,019,807</u>	<u>3,453,028</u>
Net book value			
At 31 August 2015	<u>1,396,179</u>	<u>7,104,048</u>	<u>8,500,227</u>
At 31 August 2014	<u>1,462,416</u>	<u>7,610,234</u>	<u>9,072,650</u>

During 2012-3 CATS Academy Boston, Inc. purchased the right to operate a school in Boston, Massachusetts from the Roman Catholic Archbishop of Boston. The consideration was \$1,000,000 for the transfer of ownership of the school. In addition 8%, 8% and 9% of the net tuition revenues for the financial years 2015-16, 2016-17 and 2017-18 respectively are payable based on actual student numbers. Discounted deferred consideration of \$1,600,000 has been recognised in respect of this obligation.

11 Tangible fixed assets

Group	Freehold land & buildings £	Leasehold land & buildings £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost or valuation					
At 1 September 2014	13,355,000	7,693,078	10,793,737	122,788	31,964,603
Additions	12,500	2,894,608	3,953,036	39,775	6,899,919
Disposals	-	-	-	(34,356)	(34,356)
Foreign exchange movement	-	65,515	77,600	2,600	145,715
At 31 August 2015	<u>13,367,500</u>	<u>10,653,201</u>	<u>14,824,372</u>	<u>130,807</u>	<u>38,975,881</u>
Depreciation					
At 1 September 2014	-	3,148,002	7,190,774	79,532	10,418,308
Charge for the year	-	1,164,771	2,336,608	28,188	3,529,567
Disposals	-	-	-	(26,373)	(26,373)
Foreign exchange movement	-	21,238	29,980	712	51,930
At 31 August 2015	<u>-</u>	<u>4,334,011</u>	<u>9,557,362</u>	<u>82,059</u>	<u>13,973,432</u>
Net book value					
At 31 August 2015	<u>13,367,500</u>	<u>6,319,190</u>	<u>5,267,011</u>	<u>48,748</u>	<u>25,002,449</u>
At 31 August 2014	<u>13,355,000</u>	<u>4,545,076</u>	<u>3,602,963</u>	<u>43,256</u>	<u>21,546,295</u>

Included within the net book value is £20,558 (2014 - £13,677) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £6,862 (2014 - £6,839).

Freehold land and buildings were revalued in December 2013 by Messrs Savills RICS. The basis of the valuation used was open market value within the context of existing permitted use.

If certain fixed assets had not been revalued, they would have been included on the historical cost basis at the following amounts

	Freehold land and buildings £
Cost and net book value	
At 1 September 2014	14,551,310
Additions	12,500
At 31 August 2015	<u>14,563,810</u>

In accordance with the accounting policy no depreciation has been charged on freehold land and buildings.

12 Investments

Company	Group companies £
Cost and net book value At 1 September 2014 and 31 August 2015	<u>8,104,556</u>

At 31 August 2015 the company held more than 20% of the allotted share capital of the following principal subsidiary undertakings:

Subsidiary undertakings	Class of share held	Proportion of voting rights and shares held	Nature of business
Direct shareholdings			
CEG Administrative Services Limited	Ordinary shares	100%	Provision of administrative services for group companies
CEG Properties Limited	Ordinary shares	100%	Holding of assets for use by other group companies
Cambridge Education Group Holdings, Inc. *	Ordinary shares	100%	Intermediate holding company
Indirect shareholdings			
CEG Colleges Limited	Ordinary shares	100%	Intermediate holding company
Cambridge Arts & Sciences Limited	Ordinary shares	100%	Pre-university study programmes
Cambridge School of Visual and Performing Arts Limited	Ordinary shares	100%	Pre-university study programmes
CATS Canterbury Limited	Ordinary shares	100%	Pre-university study programmes
CATS Colleges London Limited	Ordinary shares	100%	Pre-university study programmes
Stafford House Companies Limited	Ordinary shares	100%	Intermediate holding company
Stafford House Study Holidays Limited	Ordinary shares	100%	Nationwide summer English language programmes
Stafford House School of English Limited	Ordinary shares	100%	Year round English language programmes
CEG UFP Limited	Ordinary shares	100%	Intermediate holding company
London South Bank FoundationCampus Limited	Ordinary shares	100%	Provision of on site university foundation courses
CEG UCLAN FoundationCampus Limited	Ordinary shares	100%	Provision of on site university foundation courses
Coventry Foundation Campus Limited	Ordinary shares	100%	Provision of on site university foundation courses
FoundationCampus London Limited	Ordinary shares	100%	Provision of on site university foundation courses
CEG FoundationCampus Sunderland Limited	Ordinary shares	100%	Provision of on site university foundation courses
OnCampus Hull Limited	Ordinary shares	100%	Provision of on site university foundation courses

12 Investments (continued)

Indirect shareholdings (continued)

Subsidiary undertakings	Class of share held	Proportion of voting rights and shares held	Nature of business
Amsterdam FoundationCampus B.V.†	Ordinary shares	100%	Provision of on site university foundation courses
CATS Academy Boston, Inc. *	Ordinary shares	100%	Pre-university study programmes
ONCampus Boston, Inc. *	Ordinary shares	100%	Provision of on site university foundation courses
OnCampus SUNY Inc. *	Ordinary shares	100%	Provision of on site university foundation courses
Boston Academy of English, Inc. *	Ordinary Shares	100%	Year round English Language programmes

* Incorporated in the United States of America.

† Incorporated in the Netherlands.

13 Investment in associate

On 1 July 2015 the Group acquired 49% of the membership units in Intrax English Academies LLC ("IEA") for total consideration of \$4.7m. The Group has entered into an agreement to purchase the remaining 51% of the membership units in IEA no later than 31 December 2015 for total consideration of a further \$1.5m.

IEA English language instruction and professional skills development programs from centres in the USA for students from around the world.

	Acquisition £
At acquisition of the 49% interest, the total net assets of IEA comprised:	
Tangible fixed assets	379,071
Debtors	1,969,277
Cash	324,950
Creditors due within one year	(3,493,486)
Net liabilities	<u>(820,188)</u>

Investment accounted for using the equity method:

	2015 £
Cost of acquisition	3,054,527
Foreign exchange	1,109
Group's share of profit before taxation(two months)	69,123
Group share of net assets at 31 August 2015	<u>3,124,759</u>

At 31 August 2015, balances between group companies and IEA amounted to £nil.

14 Debtors: amounts falling due in less than one year

	2015	The group 2014	2015	The company 2014
	£	£	£	£
Trade debtors	11,122,158	7,302,730	-	-
Amounts owed by group undertakings	16,120,008	9,182,185	19,160,910	11,638,962
Other debtors	-	15,679	-	-
Prepayments and accrued income	4,365,142	4,084,234	-	-
Deferred tax (note 15)	119,015	-	-	-
Corporation taxation	-	-	1,914,143	1,348,615
	<u>31,726,323</u>	<u>20,584,828</u>	<u>21,075,053</u>	<u>12,987,577</u>

15 Deferred taxation

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

	2015	The group 2014	2015	The company 2014
	£	£	£	£
Deferred tax asset/(liability)	<u>119,015</u>	<u>(60,495)</u>	<u>-</u>	<u>-</u>

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

	2015	The group 2014	2015	The company 2014
	£	£	£	£
Balance brought forward	(60,495)	(12,353)	-	-
Profit and loss movement during period	<u>179,510</u>	<u>(48,142)</u>	<u>-</u>	<u>-</u>
Balance carried forward	<u>119,015</u>	<u>(60,495)</u>	<u>-</u>	<u>-</u>

The group's asset/ (liability) for deferred taxation consists of the tax effect of timing differences in respect of:

Group	2015		2014	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Excess of depreciation over taxation allowances	(110,821)	27,548	(146,668)	-
Other timing differences	229,836	(18,847)	86,173	-
Unrelieved losses	-	3,261,910	-	1,022,415
	<u>119,015</u>	<u>3,270,611</u>	<u>(60,495)</u>	<u>1,022,415</u>

The unprovided deferred tax asset predominately relates to overseas losses of \$12.7m (2014 - \$8.5m.)

16 Creditors: amounts falling due within one year

	The group		The company	
	2015	2014	2015	2014
	£	£	£	£
Bank loans and overdraft	-	-	2,499,695	3,430,686
Trade creditors	4,239,502	1,992,690	-	-
Amounts owed to group undertakings	12,054,527	-	9,000,000	89,046
Corporation tax	1,054,875	1,618,608	-	-
Other taxation and social security	124,787	214,754	-	-
Other creditors	30,267,273	22,484,660	-	-
Accruals and deferred income	36,229,740	34,347,632	238	238
Deferred Consideration	-	724,662	-	-
Net obligations under finance lease agreements	4,861	4,334	-	-
	<u>83,975,565</u>	<u>61,387,340</u>	<u>11,499,933</u>	<u>3,519,970</u>

17 Creditors: amounts falling due after more than one year

	The group		The company	
	2015	2014	2015	2014
	£	£	£	£
Amounts owed to group undertakings	3,002,756	3,002,756	15,649,752	15,068,543
Deferred consideration	1,299,323	1,086,206	-	-
Net obligations under finance lease agreements	16,080	7,558	-	-
	<u>4,318,159</u>	<u>4,096,520</u>	<u>15,649,752</u>	<u>15,068,543</u>

18 Borrowings

Obligations under finance leases included in creditors are payable as follows:

	2015	2014
	£	£
Within one year	4,861	4,334
Between one and two years	16,080	7,558
	<u>20,941</u>	<u>11,892</u>

19 Commitments under operating leases

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

The group	2015		2014	
	Land and buildings £	Other items £	Land and buildings £	Other items £
Operating leases which expire:				
Within 1 year	3,469,181	-	4,798,139	-
Within 2 to 5 years	2,837,749	-	4,584,311	2,016
Over more than 5 years	9,462,582	-	2,502,605	-
	<u>15,769,512</u>	<u>-</u>	<u>11,885,055</u>	<u>2,016</u>

20 Contingent liability

The group has guaranteed the syndicated bank loans of its immediate parent undertaking Camelot Bidco Limited. At 31 August 2015 these amounted to £90.3m (2014 - £84.0m).

In addition the Group has letters of credit in relation to lease commitments amounting to \$2.8m (2014 - \$2.8m).

21 Related party transactions

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

Fees and expenses of £185,363 (2014 - £116,479) were payable to Bridgepoint Advisors Limited, which manages the ultimate controlling party of the group. At year end £135,363 (2014 - £25,000) of this amount was still outstanding.

22 Share capital

Allotted, called up and fully paid:

	No	2015 £	No	2014 £
Ordinary shares of £0.10 each	1,265,000	<u>126,500</u>	1,265,000	<u>126,500</u>

All shares are classified as equity.

23 Reserves

The group	Revaluation reserve	Foreign exchange reserve	Profit and loss account
	£		£
At 1 September 2014	860,000	(192,952)	267,406
Profit for the year	-	-	5,839,764
Foreign exchange arising on consolidation	-	(278,330)	
At 31 August 2015	<u>860,000</u>	<u>(471,282)</u>	<u>6,107,170</u>
The company			Profit and loss account
			£
At 1 September 2014			2,377,120
Loss for the year			(473,696)
At 31 August 2015			<u>1,903,424</u>

24 Reconciliation of movements in shareholders' funds

The group	2015 £	2014 £
Profit/(loss) for the year	5,839,764	(11,233,487)
Increase in revaluation reserve	-	535,000
Foreign exchange reserve	(278,330)	(187,355)
Net addition to shareholders' funds	<u>5,561,434</u>	<u>(10,885,842)</u>
Opening shareholders' funds	<u>1,060,954</u>	<u>11,946,796</u>
Closing shareholders' funds	<u>6,622,388</u>	<u>1,060,954</u>
The company	2015 £	2014 £
Loss for the financial year	(473,696)	(7,621,080)
Net reduction in to shareholders' funds	<u>(473,696)</u>	<u>(7,621,080)</u>
Opening shareholders' funds	<u>2,503,620</u>	<u>10,124,700</u>
Closing shareholders' funds	<u>2,029,924</u>	<u>2,503,620</u>

25 Notes to cash flow statement

Reconciliation of operating profit to net cash inflow from operating activities

	2015 £	2014 £
Operating profit	8,666,285	8,731,726
Operating profit of associate	(69,123)	-
Depreciation	3,529,567	2,843,921
Revaluation of freehold property	-	(68,912)
Amortisation and goodwill adjustments	687,329	651,148
Loss / (gain) on disposal of tangible fixed assets	1,342	(371)
Increase in debtors	(4,063,654)	(2,195,450)
Increase in creditors	10,302,727	8,638,407
Net cash inflow from operating activities	<u>19,054,473</u>	<u>18,600,469</u>

Reconciliation of net cash flow to movement in net funds

	2015 £	2014 £
Increase / (decrease) in cash in the year	10,889,533	(9,348,868)
Foreign exchange	271,285	(114,917)
Repayment of borrowings	-	11,900,000
Inception of finance lease	(21,310)	-
Interest on finance lease rentals	(2,475)	(615)
Payment of finance lease rentals	14,736	4,948
Increase in net funds	<u>11,151,769</u>	<u>2,440,548</u>
Net funds at 1 September 2014	<u>15,389,644</u>	<u>12,949,096</u>
Net funds at 31 August 2015	<u>26,541,413</u>	<u>15,389,644</u>

Analysis of changes in net funds

	At 1 Sept 2014 £	Cash flows £	Non-cash flows £	At 31 August 2015 £
Net cash:				
Cash in hand and at bank	15,401,536	10,889,533	271,285	26,562,354
Amounts due under finance lease agreement	(11,892)	12,261	(21,310)	(20,941)
Net funds	<u>15,389,644</u>	<u>10,901,794</u>	<u>249,975</u>	<u>26,541,413</u>

The non-cash flows primarily relate to foreign exchange differences.

26 Capital commitments

There were capital commitments at 31 August 2015 of £138,789 (2014 - £nil).

27 Ultimate controlling party

The immediate parent company is Camelot Bidco 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. Copies of the consolidated financial statements may be obtained from Companies House.