



Cambridge
Education Group

Financial statements Camelot Bidco Limited

For the year ended 31 August 2016

SATURDAY



A67BPG2J

A06

27/05/2017

#348

COMPANIES HOUSE

Company No. 08617241

Officers and professional advisers

Company registration number	08617241
Registered office	Kett House Station Road Cambridge CB1 2JH
Directors	M Ioakimides H Shah B Webb
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Abacus House Castle Park Cambridge CB3 0AN

Contents

Strategic report	3 - 5
Directors' report	6 - 7
Independent auditors' report	8 - 9
Income statement	10
Statement of comprehensive income	10
Statement of financial position	11
Statement of changes in equity	12
Notes to the financial statements	13 - 26

Strategic report

The directors present their strategic report on the company for the year ended 31 August 2016.

This is the first year that the financial statements have been prepared under Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (“FRS 102”). The date of transition to FRS 102 was 1 September 2014. The effect of the transition to FRS 102 on the financial statements is explained in note 17.

Principal activities

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

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

CEG operates its business through four divisions:

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

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 are 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 a broad 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;
- helping our students to achieve entry to the best universities according to their aspirations and abilities;
- continuous investment into state-of-the-art facilities which is evident at sites in London, Canterbury, Cambridge and Boston; and,
- exceptional pastoral care ensures that our student’s educational experience is also safe, healthy and enjoyable.

Management

During 2015/16 Michael Ioakimides joined the business as Chief Executive Officer replacing Fergus Brownlee.

Business review

The loss for the financial year was £13,279,000 (2015 – £11,372,000 loss) and net assets at year end were £3,941,000 (2015 – £17,220,000). In the opinion of the directors the state of the company's affairs at 31 August 2016 was satisfactory.

As an intermediate holding company, the company is dependent on the results of CEG. During the year CEG's revenues have grown by 11.3% to £108.6m, gross profit as a percentage of revenue has fallen slightly to 48.3% (2015 – 50.9%) and operating profit as a percentage of revenue has decreased to 3.6% (2015 – 8.6%).

Future developments

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

Financial key performance indicators

The Board and management use Key Performance Indicators (KPIs) to monitor the success of the business. The KPIs used for the trading group headed by CEG are not relevant to the activities of the company and therefore the KPIs used are that the company continue to provide financing for the group's operations at an acceptable cost, which it has.

Principal risks and uncertainties

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

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

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 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, foreign exchange risk and credit risk. The directors review and agree policies for managing each of these risks and, as they relate particularly to the company, they are summarised below.

Interest rate risk

The exposure of the company to interest rate fluctuations in its syndicated bank borrowings is managed in part by the use of interest-rate swap arrangements.

Liquidity risk

The company has access to the cash flows of the trading group to meet foreseeable needs. 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 – particularly that between sterling and the US dollar.

The company has borrowings predominantly in sterling but also in the US dollar, which naturally offsets some of the risks of fluctuations in exchange rates for the group as a whole.

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

A handwritten signature in black ink, appearing to be 'H Shah', enclosed within a circular scribble.

H Shah

Director

26 May 2017

Directors' report

The directors present their report and the audited financial statements of the company for the year ended 31 August 2016.

Results and dividends

The loss for the financial year, amounted to £13,279,000 (2015 - £11,372,000 loss). No dividend has been paid out during the year (2015 – 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:

F Brownlee	Resigned 20 June 2016
M Ioakimides	Appointed 16 June 2016
H Shah	
M Stanton	Resigned 17 June 2016
B Webb	Appointed 17 January 2017

Risk management

The principal risks and uncertainties and arrangement for their management are described in the Strategic report on pages 3 to 5.

Statement of directors' responsibilities

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent ; and
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 of the directors is approved has confirmed that:

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

During the financial year PricewaterhouseCoopers LLP were appointed as auditors, following a competitive tender, the appointment taking effect for the audit of these financial statements. Having expressed their willingness to continue in office, they will be deemed reappointed for the next financial year in accordance with section 487 (2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

By order of the board



H Shah
Director

26 May 2017

Independent auditors' report to the members of Camelot Bidco Limited

Report on the financial statements

Our opinion

In our opinion, Camelot Bidco Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 August 2016 and of its loss 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.

What we have audited

The financial statements, included within the Financial Statements (the "Annual Report"), comprise:

- the statement of financial position as at 31 August 2016;
- the income statement and statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of Camelot Bidco Limited (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

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 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Adrian Bennett (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge
26 May 2017

Income statement

	Note	2016 £'000	2015 £'000
Administrative expenses		(7)	-
Operating loss	6	(7)	-
Net interest expense	7	(16,642)	(15,261)
Loss on ordinary activities before taxation		(16,649)	(15,261)
Tax on loss on ordinary activities	8	3,370	3,889
Loss for the financial year		<u>(13,279)</u>	<u>(11,372)</u>

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

Statement of comprehensive income

	2016 £'000	2015 £'000
Loss for the financial year	(13,279)	(11,372)
Total comprehensive income for the year	<u>(13,279)</u>	<u>(11,372)</u>

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

Statement of financial position

	Note	2016 £000	2015 £000
Fixed assets			
Subsidiary undertakings	9	198,381	198,381
Current assets			
Debtors	10	6,873	9,634
Cash at bank and in hand		2	24
		<u>6,875</u>	<u>9,658</u>
Creditors: amounts falling due within one year	11	<u>(12,173)</u>	<u>(14,442)</u>
Net current liabilities		<u>(5,298)</u>	<u>(4,784)</u>
Total assets less current liabilities		<u>193,083</u>	<u>193,597</u>
Creditors: amounts falling due after more than one year	12	<u>(189,142)</u>	<u>(176,377)</u>
Net assets		<u><u>3,941</u></u>	<u><u>17,220</u></u>
Capital and reserves			
Called-up share capital	15	37,767	37,767
Retained earnings		(33,826)	(20,547)
Total equity		<u><u>3,941</u></u>	<u><u>17,220</u></u>

The financial statements on pages 10 to 26 were approved by the directors and authorised for issue on 26 May 2017, and are signed on their behalf by:



H Shah
 Director
 Company Registration Number: 08617241

Statement of changes in equity

	Called up share capital	Retained earnings	Total equity
	£'000	£'000	£'000
At 1 September 2014	37,767	(9,175)	28,592
Loss for the financial year	-	(11,372)	(11,372)
Total comprehensive income for the financial year	-	(11,372)	(11,372)
At 31 August 2015	37,767	(20,547)	17,220
Loss for the financial year	-	(13,279)	(13,279)
Total comprehensive income for the financial year	-	(13,279)	(13,279)
At 31 August 2016	37,767	(33,826)	3,941

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

Notes to the financial statements

1 General information

Camelot Bidco Limited ("the company") is a private limited company limited by shares incorporated in United Kingdom under the Companies Act. The address of the registered office, which is also the principal place of business is given on page 1. The company is an intermediate holding company within a group of companies and the nature of that group's operations and principal activities are set out in the Strategic report on pages 3 to 5.

2 Statement of compliance

These financial statements have been prepared under the historical cost convention, modified to include certain items at fair value and in accordance with "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 current 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.

These financial statements for the year ended 31 August 2016 are the first financial statements of the company prepared in accordance with FRS 102. The date of transition to FRS 102 was 1 September 2014. Details of the restatements for material adjustments on adoption of FRS 102 are disclosed in note 17.

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 banking facilities. The Directors have prepared both detailed budgets and long term forecasts for the group, taking account of possible changes in trading performance. After making enquiries, the Directors have a reasonable expectation that the group has 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. At 31 August 2016 the company has net current liabilities of £5,298,000 (2015 – £4,784,000). The company has obtained a letter of support from its parent undertaking, Camelot Holdco Limited confirming that it will provide finance, if required, for a period of at least 12 months from the date of approval of these financial statements, in order that the company can continue to meet its liabilities as they fall due. The company therefore continues to adopt the going concern basis in preparing its financial statements.

c) Consolidated financial statements

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

These financial statements are therefore for the company only.

d) 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 financing costs. All other foreign exchange gains and losses are presented in the income statement within administrative expenses.

e) Dividends

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

f) Borrowing costs

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

g) Current tax

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

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

h) Impairment of non-financial assets

The company assesses at each reporting date whether an asset may be impaired. If any such indication exists the company estimates recoverable amount of assets. If it is not possible to estimate the recoverable amount of the individual asset, the company estimates, the recoverable amount of 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.

i) Investments

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

j) Cash and cash equivalents

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

k) 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 other operating expenses.

l) Contingencies

Contingent liabilities arise as a result of past events where it is either not probable that there will be an outflow of resources or the amount cannot be reliably measured or where the existence or otherwise of an obligation can only be determined by the outcome of uncertain future events that are not wholly within the company's control.

Contingent liabilities are not recognised, except those which may be acquired in a business combination but are disclosed in the financial statements unless the probability of an outflow of resources is remote.

m) Financial instruments

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

Basic financial assets, including trade and other receivables, 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 profit or loss.

Basic financial liabilities include trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction. For such transactions the debt instrument is measured at present value of the future receipts discounted at a market rate of interest and subsequently carried at amortised cost, using the effective interest rate method.

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

Derivatives which are not basic financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit and loss in finance costs or income as appropriate.

To date the company has not applied hedge accounting to any transactions.

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 assumptions

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

Impairment of non-financial assets

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

Taxation

The company establishes provisions based on reasonable estimates and where relevant for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

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; and
- 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 statement disclosures prepared by Camelot Holdco Limited.

6 Operating loss

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

7 Net interest expense

	2016 £'000	2015 £'000
Interest payable and similar charges:		
On intragroup loans and loan notes	10,784	9,689
On bank loans	5,858	5,572
	<u>16,642</u>	<u>15,261</u>

8 Tax on loss on ordinary activities

(a) Analysis of credit in the year

The tax credit represents:

	2016 £'000	2015 £'000
Current tax:		
United Kingdom corporation tax for the year at 20% (2015 – 20.58%)	3,370	3,161
Under provision in prior year	-	728
Tax on loss on ordinary activities	<u>3,370</u>	<u>3,889</u>

(b) Reconciliation of tax charge

The tax assessed on the loss on ordinary activities for the year is lower (2015-lower) than the standard rate of corporation tax in the UK of 20% (2015 – 20.58%). The differences are explained below:

	2016 £'000	2015 £'000
Loss on ordinary activities before taxation	16,649	15,261
Loss on ordinary activities multiplied by rate of tax	3,330	3,141
Adjustment to charge in respect of prior period	-	728
Other timing differences	40	20
Tax credit for the year	<u>3,370</u>	<u>3,889</u>

(c) Tax rate changes

During the year the UK corporation tax rate reduced to 20%, with further decreases to 19% and 18% due with effect from 1 April 2017 and 1 April 2019 respectively. An additional decrease to 17% with effect from 1 April 2020 has been announced, but had not been substantially enacted by year end.

9 **Subsidiary undertakings**

£'000

Cost and net book value

At 1 September 2015 and 31 August 2016

198,381

At 31 August 2016 the company had the following subsidiary undertakings, all of which are incorporated in England & Wales unless otherwise noted:

Subsidiary undertakings	Class of share held	Proportion of voting rights and shares held	Nature of business
<u>Direct shareholdings</u>			
Cambridge Education Group Limited	Ordinary shares	100%	Intermediate holding company
Subsidiary undertakings	Class of share held	Proportion of voting rights and shares held	Nature of business
<u>Indirect shareholdings</u>			
CEG Properties Limited	Ordinary shares	100%	Holding of assets for use by other group companies
CEG Administrative Services Limited	Ordinary shares	100%	Provision of administrative services to group companies
CEG Colleges Limited	Ordinary shares	100%	Pre-University study programmes
Cambridge Arts & Sciences Limited	Ordinary shares	100%	Pre-University study programmes
CATS Canterbury Limited	Ordinary shares	100%	Pre-University study programmes
CATS College London Limited	Ordinary shares	100%	Pre-University study programmes
Stafford House Companies Limited	Ordinary shares	100%	Intermediate holding company
Stafford House School of English Limited	Ordinary shares	100%	Year round English language programmes
Stafford House Study Holidays Limited	Ordinary shares	100%	Summer English Language Programmes
CEG UFP Limited	Ordinary shares	100%	On-site university foundation courses
CEG UCLAN Foundation Campus Limited	Ordinary shares	100%	On-site university foundation courses
Coventry Foundation Campus Limited	Ordinary shares	100%	On-site university foundation courses

Subsidiary undertakings	Class of share held	Proportion of voting rights and shares held	Nature of business
CEG FoundationCampus Sunderland Limited	Ordinary shares	100%	On-site university foundation courses
London South Bank FoundationCampus Limited	Ordinary shares	100%	On-site university foundation courses
Foundation Campus London Limited	Ordinary shares	100%	On-site university foundation courses
OnCampus Hull Limited	Ordinary shares	100%	On-site university foundation courses
OnCampus Reading Limited	Ordinary shares	100%	On-site university foundation courses
CATS Retail Limited	Ordinary shares	100%	Dormant
Cambridge School of Art & Design Limited	Ordinary shares	100%	Dormant
Cambridge School of Visual and Performing Arts Limited	Ordinary shares	100%	Dormant
Study Holidays Limited	Ordinary shares	100%	Dormant
CEG Online Limited	Ordinary shares	100%	Dormant
International Creative Education (Falmouth) Limited	Ordinary shares	100%	Dormant
Amsterdam FoundationCampusB.V. *	Ordinary shares	100%	On-site university foundation courses
ONCAMPUS Lund Sweden AB †	Ordinary shares	100%	On-site university foundation courses
Cambridge Education Group Holdings Inc ‡	Ordinary shares	100%	Intermediate holding company & On-site university foundation courses
CATS Academy Boston, Inc ‡	Ordinary shares	100%	Pre-University study programmes
ONCampus Boston, Inc ‡	Ordinary shares	100%	On-site university foundation courses
Academy of English Boston, Inc ‡	Ordinary shares	100%	Year round English language programmes
OnCampus SUNY Inc ‡	Ordinary shares	100%	Year round English language programmes
Intrax English Academies LLC ‡	Ordinary shares	100%	Year round English language programmes
CEG Holding Canada Inc §	Ordinary shares	100%	Intermediate holding company
976821 Ontario Inc. §	Ordinary shares	100%	Year round English language programmes
744648 Alberta Inc. §	Ordinary shares	100%	Year round English language programmes

Subsidiary undertakings	Class of share held	Proportion of voting rights and shares held	Nature of business
Cambridge Education Group Hong Kong Limited	Ordinary shares	100%	Provision of administrative services for group companies
Cambridge Education Group Consulting (Shanghai) Limited ¶	Ordinary shares	100%	Provision of administrative services for group companies

* Incorporated in the Netherlands

† Incorporated in Sweden

‡ Incorporated in the United States of America

§ Incorporated in Canada

|| Incorporated in Hong Kong

¶ Incorporated in the People's Republic of China

10 Debtors

	2016	2015
	£'000	£'000
Amounts falling due within one year:		
Amounts owed by group undertakings	168	3,115
Group payments relief due from other group companies	3,370	3,161
Prepayments and accrued income	332	355
Amounts falling due after more than one year:		
Amounts owed by group undertakings - loans	3,003	3,003
	6,873	9,634

The amounts owed by group undertakings have no fixed repayment date, bear no interest and are repayable on demand.

11 Creditors: amounts falling due within one year

	2016	2015
	£'000	£'000
Bank loans (note 12)	6,360	8,020
Amounts owed to group undertakings	5,586	6,265
Accruals and deferred income	227	157
	12,173	14,442

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

12 Creditors: amounts falling due after more than one year

	2016 £'000	2015 £'000
Amounts due between one and five years:		
Bank loans	80,593	21,766
Amounts owed to group undertakings – loan notes	25,104	-
Amounts owed to group undertakings – loans	83,445	-
	189,142	21,766
Amounts due after more than five years:		
Bank loans	-	56,846
Amounts owed to group undertakings – loan notes	-	22,610
Amounts owed to group undertakings – loans	-	75,155
	189,142	176,377

The primary bank lending consists of an A facility of £25m and a B facility of £57m advanced by a syndicate of banks under a Senior Facilities Agreement (“SFA”). These were drawn in December 2013 to fund the acquisition of Cambridge Education Group.

The A facility is repayable in instalments on an amortising basis from 30 November 2014 with the balance payable on 18 December 2019. The effective interest rate on the A loan is 6.19% (2015 – 5.87%) During the year repayments of capital on this facility amounted to £4.0m (2015-£3.75m). The B facility is payable on 18 December 2020. The effective interest rate on the B loan is 6.38% (2015 – 6.31%).

Under the SFA, the banking syndicate also made available a revolving credit facility of £10m and a capex facility of £15m. In April 2016 the banking syndicate agreed to amend the SFA to replace the whole amount then drawn on the existing capex facility with a new C facility of £12.8m and increase the replenished capex facility to £20m.

The revolving credit facility expires on 18 December 2019 and the capex facility is repayable in instalments up to 18 December 2019. The new C facility has the same interest and repayment terms as the existing B facility. The effective interest rate on the C facility is 9.84%.

At year end the amount drawn on the revolving credit facility was £3.0 m (2015-£5.0m) which has been repaid since year-end. The facility is available for draw down as required. The effective interest rate on this facility was 4.99%. At year end the replenished capex facility remained undrawn.

The loans under the SFA are secured by a fixed and floating charge over the property and assets of the material subsidiary companies of the group.

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

The company has entered into an interest rate swap arrangement to mitigate the risks associated with its variable rate borrowings. At 31 August 2016 the fair value of this arrangement is considered to be an asset of £nil (2015 - £nil.) The fair value is based on a market value provided by the counterparty bank, derived from proprietary models that use recognised financial principles and reasonable estimates about relevant future market conditions. Due to the nature of the arrangement, it cannot give rise to a liability. The arrangement expired on 28 February 2017.

13 Related party transactions

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

14 Contingent liabilities

The group has provided letters of credit in relation to lease commitments for properties in the USA amounting to USD2.8m (2015 – USD2.8m). The company has no other contingent liabilities (2015 – none).

15 Called-up share capital and reserves

Allotted, called up and fully paid:

	2016		2015	
	No	£'000	No	£'000
Ordinary shares of £1 each	<u>37,766,830</u>	<u>37,767</u>	<u>37,766,830</u>	<u>37,767</u>

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

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

16 Ultimate controlling party

The immediate parent company is Camelot Holdco 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.

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

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

17 Effects of transition to FRS 102

This is the first year that the company has presented its results under FRS 102. The last financial statements prepared under the previous UK GAAP were for the year ended 31 August 2015. The date of transition to FRS 102 was 1 September 2014. Set out below are the effects of the changes in accounting policies which reconcile profit for the financial year ended 31 August 2015 and the total equity as at 1 September 2014 and 31 August 2015 between UK GAAP as previously reported and those under FRS 102.

Statement of financial position as at 1 September 2014 – transition to FRS 102

	Note	As previously stated £'000	Effect of transition £'000	FRS 102 (as restated) £'000
Fixed assets				
Investments		198,381	-	198,381
Current assets				
Debtors	ii	4,706	1,088	5,794
		4,706	1,088	5,794
Creditors: amounts falling due within one year	ii	(12,087)	(250)	(12,337)
Net current liabilities		(7,381)	838	(6,543)
Total assets less current liabilities		191,000	838	191,838
Creditors: amounts falling due after more than one year	ii	(162,408)	(838)	(163,246)
Net assets		28,592	-	28,592
Capital and reserves				
Called-up share capital		37,767	-	37,767
Retained earnings		(9,175)	-	(9,175)
Total equity		28,592	-	28,592

Statement of financial position as at 31 August 2015 – transition to FRS 102

	Note	As previously stated £'000	Effect of transition £'000	FRS 102 (as restated) £'000
Fixed assets				
Investments		198,381	-	198,381
Current assets				
Debtors	ii	9,279	355	9,634
Cash at bank and in hand		24	-	24
		<u>9,303</u>	<u>355</u>	<u>9,658</u>
Creditors: amounts falling due within one year	ii	<u>(14,573)</u>	<u>131</u>	<u>(14,442)</u>
Net current liabilities		<u>(5,270)</u>	<u>486</u>	<u>(4,784)</u>
Total assets less current liabilities		193,111	486	193,597
Creditors: amounts falling due after more than one year	ii	(175,989)	(338)	(176,327)
Net assets		<u>17,122</u>	<u>98</u>	<u>17,220</u>
Capital and reserves				
Called-up share capital		37,767	-	37,767
Retained Earnings		(20,645)	98	(20,547)
Total equity		<u>17,122</u>	<u>98</u>	<u>17,220</u>

Statement of changes in equity for the year ended at 31 August 2015 – transition to FRS 102

	Note	As previously stated £'000	Effect of transitions £'000	FRS102 (as restated) £'000
At 1 September 2014		28,592	-	28,592
Loss for the financial year	i	(11,470)	98	(11,372)
Other comprehensive income for the financial year		-	-	-
Total comprehensive income for the financial year		(11,470)	98	(11,372)
At 31 August 2015		17,122	98	17,220

Income statement for the year ended 31 August 2015 – transition to FRS 102

	Note	As previously stated £'000	Effect of transition £'000	As restated (FRS 102) £'000
Administrative expenses		-	-	-
Net interest expense	i	(15,359)	98	(15,261)
Loss on ordinary activities before taxation		(15,359)	98	(15,261)
Tax on loss on ordinary activities		3,889	-	3,889
Loss for the financial year		(11,470)	98	(11,372)

Statement of comprehensive income for the year ended 31 August 2015 – transition to FRS 102

	Note	As previously stated £'000	Effect of transition £'000	As restated (FRS 102) £'000
Loss for the financial year	i	(11,470)	98	(11,372)
Total comprehensive income for the year		(11,470)	98	(11,372)

i. Interest Charge

Interest chargeable and receivable on debt instruments was previously recognised on an accruals basis. Under FRS102 finance costs are recognised using the effective interest rate method.

ii. Financial instruments

Under previous UK GAAP, debt instruments were recorded at the amount of principal outstanding, including any compounded interest and less any prepaid fees, to the extent not released as a charge in the income statement. Under FRS102, debt instruments are recorded using the amortised cost method. This method leads to different amounts reported at period ends during the life of the loan due to differences in the allocation to reporting periods of the cost of borrowing, although the total cost of borrowing over the life of the debt instrument is the same.