Cambridge
Education Group

Annual report and financial statements Camelot Bidco Limited

For the year ended 31 August 2018

Company No. 08617241

Officers and professional advisers

Company registration number	08617241
Registered office	Kett House Station Road Cambridge CB1 2JH
Directors	M Ioakimides P Symes B Webb
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Maurice Wilkes Building St John's Innovation Park Cambridge CB4 0DS

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Strategic report

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

Principal activities

The principal activity of the company during the year was that of an intermediate holding company within the parent group which holds Cambridge Education Group 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 30 schools and centres across the UK, North America, continental Europe and China.

CEG operates its business through four divisions:

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

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

The underlying principles across all divisions are:

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

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

CEG is well placed to take advantage of these trends as we have a strong and diversified portfolio of study locations covering UK, USA, Europe and China and our global recruitment team is located in all the key countries with high student demand.

Business review

The loss before taxation for the year was £20,060,000 (2017 - £18,570,000) and net liabilities at the year end were £28,988,000 (2017 - £11,552,000). In the opinion of the directors the state of the company's affairs at 31 August 2018 was satisfactory.

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 compared to that planned, 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.

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

Financial risk management objectives and policies
The company's financial risk management policies and objectives are integrated into those of the wider group. The group uses various financial instruments including syndicated bank loans, loan notes, intra group loans and trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is working capital for the group's operations, and finance for capital investment.

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

Interest rate risk
The exposure of the company to interest rate fluctuations is managed by borrowing from a bank at a variable rate and from its parent at a fixed rate and lending to its subsidiary undertaking at a higher fixed rate.

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

Foreign exchange risk
The company itself is not directly exposed to foreign exchange risk.

Price and credit risk
Due to the nature of its activities the company itself is nor directly exposed to price or credit risk.

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

Ph. / Sy

P Symes
Director
26 February 2019

Directors' report

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

Results and dividends
The loss for the financial year amounted to £17,436,000 (2017 - £15,493,000 loss). No dividend has been paid out during the year (2017 – none). The directors do not recommend the payment of a final dividend (2017 – none).

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

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

M Ioakimides	
H Shah	Resigned 29 January 2018
B Webb	
P Symes	Appointed 9 April 2018

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

Going concern
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.

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

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

On behalf of the board

P Symes
Director
25 February 2019

Independent auditors' report to the members of Camelot Bidco Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 August 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 August 2018; the income statement, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 August 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

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

Income statement

For the year ended 31 August 2018

	Note	2018 £'000	2017 £'000
Net interest expense	6	**(20,060)**	(18,570)
Operating loss and loss before taxation	7	**(20,060)**	(18,570)
Tax on loss	8	**2,624**	3,077
Loss for the financial year		**(17,436)**	(15,493)

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

Statement of comprehensive income

For the year ended 31 August 2018

	2018 £'000	2017 £'000
Loss for the financial year	**(17,436)**	(15,493)
Total comprehensive expense for the year	**(17,436)**	(15,493)

Statement of financial position

As at 31 August 2018

	Note	2018 £000	2017 £000
Fixed assets			
Investments	9	**198,381**	198,381
Current assets			
Debtors	10	**3,365**	6,671
Cash at bank and in hand		**2**	2
		3,367	6,673
Creditors: amounts falling due within one year	11	**(25,333)**	(19,104)
Net current liabilities		**(21,966)**	(12,431)
Total assets less current liabilities		**176,415**	185,950
Creditors: amounts falling due after more than one year	12	**(205,403)**	(197,502)
Net liabilities		**(28,988)**	(11,552)
Capital and reserves			
Called-up share capital	15	**37,767**	37,767
Accumulated losses	15	**(66,755)**	(49,319)
Total equity		**(28,988)**	(11,552)

The financial statements on pages 10 to 23 were approved by the directors and authorised for issue on 25 February 2019, and are signed on their behalf by:

P Symes
Director
Company Registration Number: 08617241

Statement of changes in equity

For the year ended 31 August 2018

	Called-up share capital	Accumulated losses	Total equity
	£'000	£'000	£'000
At 1 September 2016	**37,767**	**(33,826)**	**3,941**
Loss for the financial year	-	(15,493)	(15,493)
Total comprehensive expense for the financial year	-	(15,493)	(15,493)
At 31 August 2017	**37,767**	**(49,319)**	**(11,552)**
Loss for the financial year	-	(17,436)	(17,436)
Total comprehensive expense for the financial year	-	(17,436)	(17,436)
At 31 August 2018	**37,767**	**(66,755)**	**(28,988)**

Notes to the financial statements

1 General information

Camelot Bidco Limited ("the company") is a private limited company limited by shares incorporated in England, United Kingdom under the Companies Act 2006. The address of the registered office, which is also the principal place of business is given on page 1. The company is an intermediate holding company within a group of companies and the nature of that group's operations and principal activities are set out in the Strategic report on pages 3 to 4.

2 Statement of compliance

These financial statements have been prepared 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.

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 and 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 2018 the company has net current liabilities of £21,966,000 (2017 – £12,431,000). 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 net interest expense. 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 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 and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

k) Current debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in administrative 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 full in respect of financial instruments, subject to the disclosure exemptions described in note 5.

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

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

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

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

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 face 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 judgements

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

Impairment of 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;
- 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; and,

6 Net interest expense

	2018	2017
	£'000	£'000
Interest payable and similar expenses:		
On intragroup loans and loan notes	**13,299**	11,940
On bank loans	**6,813**	6,551
Net exchange (gains)/losses on foreign currency borrowings	**(52)**	79
	20,060	18,570

7 Operating loss

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

Auditors' remuneration of £5,000 (2017 - £5,000) is borne by other group companies.

8 Tax on loss

(a) Analysis of credit in the year

The tax credit represents:

	2018	2017
	£'000	£'000
Current tax:		
United Kingdom corporation tax for the year at 19% (2017 –19.58%)	**2,916**	3,636
Adjustment in respect of prior periods	**(292)**	(559)
Tax on loss	**2,624**	3,077

(b) Reconciliation of tax charge

The tax credit assessed on the loss for the year is lower (2017-lower) than the standard rate of corporation tax in the UK of 19% (2017 – 19.58%). The differences are explained below:

	2018 £'000	2017 £'000
Loss before taxation	**20,060**	18,570
Loss before taxation multiplied by rate of tax	**3,811**	3,636
Adjustment in respect of prior periods	**(292)**	-
Expenses not deductible for tax purposes	**(304)**	-
Unrecognised tax losses	**(590)**	(559)
Other timing differences	**(1)**	-
Tax credit for the year	**2,624**	3,077

(c) Tax rate changes

In April 2016 the UK Corporation tax rate was changed from 20% to 19% with a further reduction substantively enacted during the year to 17% effective from 1 April 2020. Deferred tax balances at 31 August 2017 and 2018 are measured at the revised rate of 17%.

9 Investments

	£'000
Cost and net book value:	
At 1 September 2017 and 31 August 2018	198,381

Investments are the subsidiary undertakings detailed in note 16.

10 Debtors

	2018 £'000	2017 £'000
Amounts falling due within one year:		
Amounts owed by group undertakings	**362**	268
Group relief payments due from other group companies	-	3,119
Prepayments and accrued income	-	281
Amounts falling due after more than one year:		
Amounts owed by group undertakings - loans	**3,003**	3,003
	3,365	6,671

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

11 Creditors: amounts falling due within one year

	2018	2017
	£'000	£'000
Bank loans and overdrafts (note 12)	6,202	10,594
Amounts owed to group undertakings	17,925	8,390
Accruals and deferred income	1,206	120
	25,333	19,104

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

12 Creditors: amounts falling due after more than one year

	2018	2017
	£'000	£'000
Amounts due between one and five years:		
Bank loans and overdrafts	71,615	77,013
Amounts owed to group undertakings – loan notes	30,931	27,866
Amounts owed to group undertakings – loans	102,857	92,623
	205,403	197,502

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 6.56% (2017 - 6.50%). During the year repayments of capital on this facility amounted to £9.10m (2017-£4.25m). The B facility is payable on 18 December 2020. The effective interest rate on the B loan is 6.96% (2017 - 6.77%). During the year repayments of capital on this facility amounted to £4.72m (2017 - £nil).

Under the SFA, the banking syndicate has also made available a revolving credit facility of £10m, a C facility of £12.8m, and a capex facility of £20m.

The revolving credit facility expires on 18 December 2019. The facility is available for draw down as required. At year end the amount drawn on the revolving credit facility was £nil (2017-£7.0m). The effective interest rate on this facility was 5.36% (2017 - 4.96%).

The C facility has the same interest and repayment terms as the B facility. The effective interest rate on the C facility is 11.75% (2017 – 11.09%). During the year repayments of capital on the C facility amounted to £1.1m (2017 - £nil). Part of the C facility is drawn in United States dollars.

The capex facility is repayable in instalments up to 18 December 2019. During the year £11.0m was drawn under this facility. The effective interest rate on the capex facility was 7.51% (2017 - 0%).

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.

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 company has provided letters of credit in relation to lease commitments for properties in the USA amounting to USD 2.8m (2017 – USD 2.8m). The company has no other contingent liabilities (2017 – none).

15 Called-up share capital and reserves

Allotted, called-up and fully paid:

	2018		2017	
	No.	**£'000**	No.	£'000
Ordinary shares of £1 each	**37,766,830**	**37,767**	37,766,830	37,767

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 accumulated losses reserve represents the cumulative profits and losses, net of dividends paid and other adjustments.

16 List of subsidiary undertakings

At 31 August 2018 the company had the following subsidiary undertakings, all of which are incorporated in England & Wales unless otherwise noted:

Subsidiary undertakings	**Registered Office**	**Nature of Business**	**Interest**
Direct shareholdings			
Cambridge Education Group Limited	i.	Intermediate holding company	100% ordinary shares
Indirect shareholdings			
CEG Properties Limited	i.	Holding of assets for use by other group companies	100% ordinary shares
CEG Administrative Services Limited	i.	Provision of administrative services to group companies	100% ordinary shares
CEG Colleges Limited	i.	Pre-University study programmes	100% ordinary shares
Cambridge Arts & Sciences Limited	i.	Pre-University study programmes	100% ordinary shares
CATS Canterbury Limited	i.	Pre-University study programmes	100% ordinary shares

Subsidiary undertakings	Registered Office	Nature of business	Interest
CATS College London Limited	i.	Pre-University study programmes	100% ordinary shares
Stafford House Companies Limited	i.	Intermediate holding company	100% ordinary shares
Stafford House School of English Limited	i.	Year round English language programmes	100% ordinary shares
Stafford House Study Holidays Limited	i.	Summer English language Programmes	100% ordinary shares
CEG UFP Limited	i.	On-site university foundation courses	100% ordinary shares
CEG UCLAN Foundation Campus Limited	i.	On-site university foundation courses	100% ordinary shares
Coventry Foundation Campus Limited	i.	On-site university foundation courses	100% ordinary shares
CEG FoundationCampus Sunderland Limited	i.	On-site university foundation courses	100% ordinary shares
London South Bank FoundationCampus Limited	i.	On-site university foundation courses	100% ordinary shares
Foundation Campus London Limited	i.	On-site university foundation courses	100% ordinary shares
OnCampus Hull Limited	i.	On-site university foundation courses	100% ordinary shares
OnCampus Reading Limited	i.	On-site university foundation courses	100% ordinary shares
CATS Retail Limited	i.	Dormant	100% ordinary shares
Cambridge School of Art & Design Limited	i.	Dormant	100% ordinary shares
Cambridge School of Visual and Performing Arts Limited	i.	Dormant	100% ordinary shares
Study Holidays Limited	i.	Dormant	100% ordinary shares
Hull Online Limited [a]	i.	Dormant	100% ordinary shares
CEG Dormant 2 Limited	i.	Dormant	100% ordinary shares
Amsterdam FoundationCampusB.V.	ii.	On-site university foundation courses	100% ordinary shares
ONCAMPUS Lund Sweden AB	iii.	On-site university foundation courses	100% ordinary shares
Cambridge Education Group Holdings Inc	iv.	Intermediate holding company and on-site university foundation courses	100% ordinary shares
CATS Academy Boston, Inc	iv.	Pre-University study programmes	100% ordinary shares
ONCampus Boston, Inc	iv.	On-site university foundation courses	100% ordinary shares

Subsidiary undertakings	Registered Office	Nature of business	Interest
OnCampus SUNY Inc	iv.	On-site university foundation courses	100% ordinary shares
Academy of English Boston, Inc	v.	Year round English language programmes	100% ordinary shares
Intrax English Academies LLC	vi.	Year round English language programmes	100% ordinary shares
CEG Holding Canada Inc	vii.	Intermediate holding company	100% ordinary shares
976821 Ontario Inc.	viii.	Year round English language programmes	100% ordinary shares
744648 Alberta Inc.	ix.	Year round English language programmes	100% ordinary shares
Cambridge Education Group Hong Kong Limited	x.	Provision of administrative services for group companies	100% ordinary shares
Cambridge Education Group Consulting (Shanghai) Limited	xi.	Provision of administrative services for group companies	100% ordinary shares
CEG Education Technology (Shanghai) Co. Limited	xii.	Pre-University study programmes	70% ordinary shares
CEG International Limited	i.	Dormant	

i Kett House, Station Road, Cambridge, CB1 2JH
ii Jachthavenweg 109H, 1081 KM Amsterdam, Netherlands
iii Östra Vallgatan 14, 223 61 Lund, Sweden
iv 251 Little Falls Drive, Wilmington, DE 19808, United States of America
v 84 State Street, Boston, MA 02109, United States of America
vi 600 California Street 10th Floor, San Francisco, CA 94108, United States of America
vii 1200 Waterfront Centre, 200 Burrard Street, Vancouver BC, V6C 3L6, Canada
viii 4400-40 King Street West, Toronto, Ontario, M5H 3Y4, Canada
ix 1900,520-3rd Avenue SW, Calgary, Alberta, T2P 0R3, Canada
x Suite 2611, Office Tower Langham Place, 8 Argyle Street, Mong Kok, Hong Kong
xi Room 408, Building 2, NO. 215 Yaohua Road, China (Shanghai) Pilot Free Trade Zone, Shanghai, People's Republic of China
xii Room 609, Building 2, Lane 166, Min Hong Road, Min Hang District, Shang Hai, People's Republic of China

a With effect from 27 July 2018 the subsidiary changed its name from “CEG Dormant 1”.

17 Ultimate controlling party

The immediate parent company is Camelot Holdco Limited.

Camelot Holdco Limited is the parent undertaking 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 ultimate parent company and 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.